

Minneapolis Trends

A Quarterly Overview of Socioeconomic & Housing Trends in Minneapolis



fourth quarter 2012



City of Minneapolis
Department of Community Planning
& Economic Development - CPED

Vol. 11, No. 4

2012

Highlights for the fourth quarter of 2012

	4Q-12	change from	
		3Q-12	4Q-11
Labor force	216,753 residents	▼	▲
Residents employed	205,365	▲	▲
Unemployment rate	5.3%	▼	▼
New residential permitted units	1,532 units	▲	▲
Permitted residential conversions, remodels and additions	165 buildings \$ 99.4 million	▼	▲
Permitted non-residential conversions, remodels and additions	141 buildings \$ 41.1 million	▼	▲
Residential units demolished	40 units	▼	▼
Rental vacancy rate	1.8 %	▲	▼
Average rent in inflation-adjusted dollars	\$ 995	▲	▲
Residential units sold			
Traditional	1,006 units	▼	▲
Lender-mediated	406 units	▲	▼
Median sale price of residential units			
Traditional	\$ 200,000	▼	▲
Lender-mediated	\$ 91,260	▼	▲
Foreclosures	322	▼	▼
Condemned and vacant buildings	686	▼	▼
Minneapolis CBD office vacancy rate	16.3%	▲	▼
Minneapolis CBD retail vacancy rate	13.6%	▲	▲

Highlights for the second quarter of 2012 – Jobs and wages

	2Q-12	1Q-12	2Q-11
Number of jobs	298,367 employees	▲	▲
Wages in inflation-adjusted dollars	\$ 1,152	▼	▼

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fourth quarter 2012

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Economic indicators

- Employment increased by 0.1 percent, while labor force decreased at a rate of 0.7 percent, thus reducing the unemployment rate from 6.0 percent in the third quarter to 5.3 percent in the fourth quarter. In comparison with the same quarter last year, about 800 more city residents were working.
- As of second quarter 2012 there were 298,367 jobs in Minneapolis, about 8,300 (2.9 percent) more than the previous quarter, and about 9,600 more (3.3 percent) than the second quarter of the previous year. Over the same 12-month period, the metro and state also added jobs, but at a slower pace of 1.6 percent each. The city has eclipsed the total number of jobs that it had in fourth quarter 2007, at the beginning of the recession.
- Average real wages for second quarter 2012 were nominally flat compared to a year before. Real wages in the metro area also remained flat, while wages across the state increased at a rate of 1 percent.

Labor force

During the 4th quarter about 1,400 people (0.7 percent) left the labor force, while 250 more residents (0.1 percent) were working. As a result, the unemployment rate decreased from 6.0 percent in third quarter to 5.3 percent in the fourth quarter.

Similar trends were shown in the metro area where the labor force shrunk and employment grew at a similar rate to Minneapolis, resulting in an unemployment rate of 5.1 percent, 0.2 percent lower than the city.

In comparison with the fourth quarter last year, about 800 more city residents were working and about more 5,900 metro residents were working. Labor force increased at a slow rate of 0.1 percent. The unemployment rate decreased 0.3 percent in the city and 0.2 percent in the metro area.

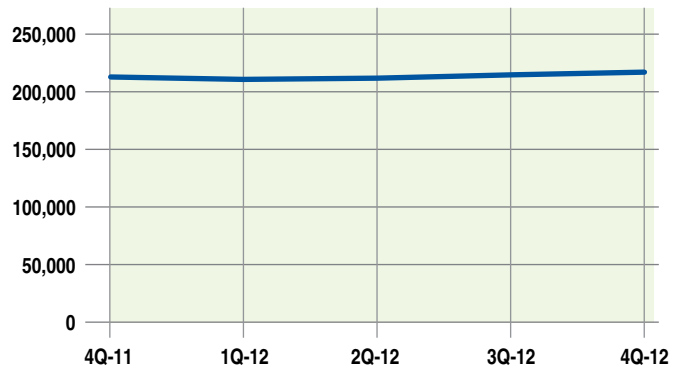
Table 1: **LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**
not seasonally adjusted

	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Minneapolis					
Labor Force	216,639	212,979	216,175	218,129	216,753
Employment	204,576	201,016	204,338	205,104	205,365
Unemployment rate	5.6%	5.6%	5.5%	6.0%	5.3%
Metro area					
Labor Force	1,621,258	1,601,648	1,619,305	1,631,197	1,623,066
Employment	1,534,865	1,508,153	1,533,079	1,538,827	1,540,779
Unemployment rate	5.3%	5.8%	5.3%	5.7%	5.1%

Source: Minnesota Department of Employment and Economic Development (DEED)
- Labor Market Information

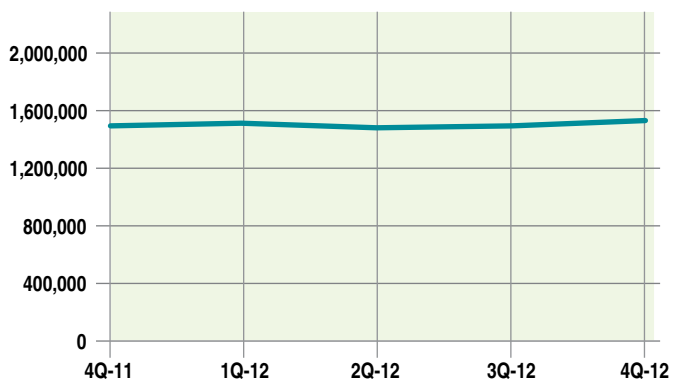
* For metro area definition, see [page 12](#).

Figure 1: **AVERAGE EMPLOYMENT – Minneapolis**
not seasonally adjusted



Source: Minnesota Department of Employment and Economic Development (DEED)
- Labor Market Information

Figure 2: **AVERAGE EMPLOYMENT – Metro area***
not seasonally adjusted



Source: Minnesota Department of Employment and Economic Development (DEED)
- Labor Market Information

* For metro area definition, see [page 12](#)

Jobs

Table 2: **AVERAGE NUMBER OF JOBS BY INDUSTRY** – Minneapolis¹

	2Q-2011	3Q-2011	4Q-2011	1Q-2012	2Q-2012	Change from 2Q-11 - 2Q-12
Total, All Industries	288,761	289,897	290,546	290,048	298,367	9,606
Construction	5,683	6,227	5,792	4,774	5,369	(314)
Manufacturing	13,872	14,035	13,907	13,401	13,597	(275)
Utilities	3,019	3,039	2,976	2,803	2,841	(178)
Wholesale Trade	8,606	8,631	8,625	8,226	8,433	(173)
Retail Trade	14,942	14,906	14,583	13,358	15,040	98
Transportation and Warehousing	7,078	6,850	7,023	7,261	7,199	121
Information	10,672	10,657	10,757	10,503	10,490	(182)
Finance and Insurance	27,525	27,835	27,863	27,047	27,023	(502)
Real Estate and Rental and Leasing	6,533	6,396	6,293	9,019	9,146	2,613
Professional and Technical Services	31,392	31,910	32,078	31,880	32,299	907
Management of Companies and Enterprises	17,627	18,304	18,423	18,340	18,842	1,215
Administrative and Waste Services	14,296	14,590	14,211	14,956	16,113	1,817
Educational Services	29,725	27,827	30,285	31,087	31,107	1,382
Health Care and Social Assistance	48,138	47,623	49,049	49,215	49,582	1,444
Arts, Entertainment, and Recreation	5,615	5,717	4,631	4,662	5,436	(179)
Accommodation and Food Services	22,640	23,315	22,836	22,384	23,865	1,225
Other Services, Ex. Public Admin	9,559	9,549	9,470	9,386	9,914	355
Public Administration	11,660	12,226	11,557	11,530	11,786	126

Source: Minnesota Department of Employment and Economic Development (DEED) – Minnesota Quarterly Census, Employment and Wages

¹ Natural resource-based industries and agriculture, fishing, and forestry employment are not shown in the table. Some industry numbers may not be disclosed because of privacy issues, so totals do not add up. Table reflects latest revision by Minnesota Department of Employment and Economic Development.

Jobs

As of second quarter 2012, the number of jobs located in Minneapolis was about 298,367, a 2.9 increase over the previous quarter. In comparison with the same quarter in 2011, the number of jobs increased by 3.3 percent (about 9,600 jobs). In the second quarter Minneapolis had eclipsed the number of jobs that it had in fourth quarter 2007, at the beginning of the recession. In comparison the metro area and the state had recovered approximately 98 percent of the jobs in the same period.

Note that some of the increases or decreases of jobs in Table 2 are subject to seasonal variations. For example, construction grows during the spring and summer but drops in the winter.

12 month change – 2nd quarter 2011 to 2nd quarter 2012

On a year – to – year basis sectors that gained significant numbers of jobs were the following:

Sectors which gained the most net jobs:

- **Real estate and rental services** gained about **2,600 net jobs (40 percent)**.
- **Administrative and waste services** added over **1,800 net jobs (12 percent)**.
- **Health care and social assistance** grew by more than **1,400 net jobs (4 percent)**.
- **Accommodation and food services** added about **1,200 net jobs (5 percent)**.
- **Education** gained nearly than **1,400 net jobs (4.6 percent)**.
- **Management of companies** added approximately **1,200 net jobs (7 percent)**.

- **Professional and technical services** added about **900 net jobs (3 percent)**.

Sectors which experienced job losses:

- **Construction** lost about **300 net jobs (-6 percent)**.
- **Manufacturing** lost about **300 net jobs (-2 percent)**.
- **Finance and insurance** cut slightly more than **500 net jobs (-2 percent)**.
- **Information and Utilities** both decreased by about **200 net jobs (-2 and -6 percent respectively)**.

Quarter to quarter change- 1st quarter 2012 to 2nd quarter 2012

Sectors which gained the most net jobs:

- **Real Estate** gained about **1,700 net jobs (12.6 percent growth)**.
- **Administrative and waste services** gained over 1,100 net jobs (7.7 percent growth).
- **Accommodation and Food Services** grew by nearly **1,500 net jobs (6.6 percent growth)**.
- **Construction** gained about **600 net jobs (12.5 percent growth)**.

Sectors which experienced job losses:

Only the **Transportation and Warehousing, Information, and Finance and Insurance** sectors experienced net job losses, each at a rate less than **-0.1 percent**.

As shown in Figure 3, the city, metro area, and state all gained jobs over the twelve-month period. The city's

job base increased by 3.3 percent, more than the 1.6 percent increase experienced at the metro area and state level.

Of the sectors **posting growth** over this period, **Real estate** was the fastest growing sector in the city at nearly 40 percent, while it grew at a slower rate in the metro area and the state. In addition to real estate, **administrative services, accommodation and food services, and management of companies** grew in the city faster than in either the metro or state.

Both **public administration** as well as **transportation and warehousing** grew in the city but not in the metro or the state. **Health care and professional services** grew at a similar rate in all three geographies.

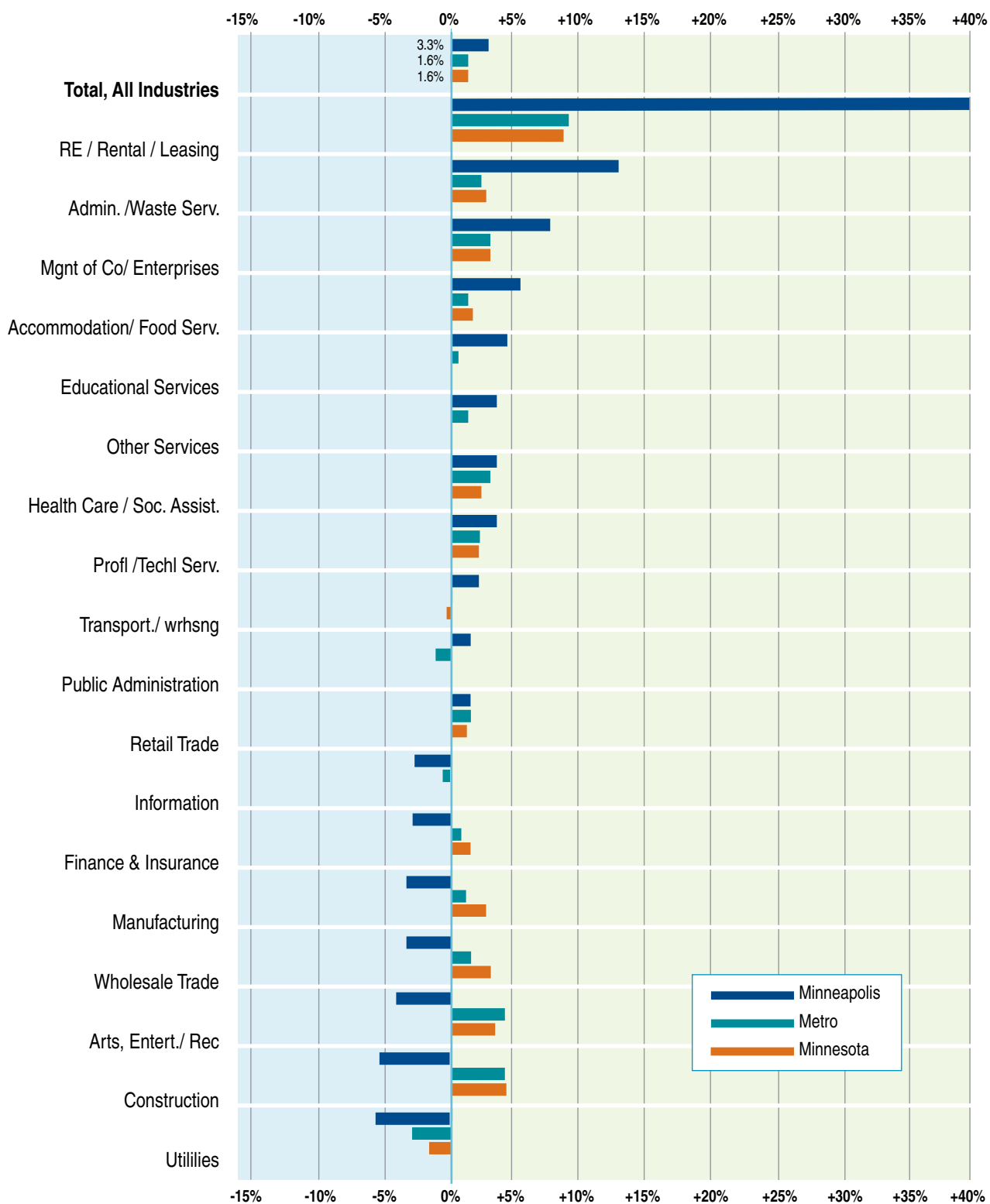
Of the economic sectors **losing jobs** in the city, **finance and insurance, manufacturing, wholesale trade, arts/entertainment, and construction** decreased in the city, but grew in the metro or state. This last sector posted a decreased of 5.5 percent in the city, and an increase of about 4 percent in the metro area and state.

In **utilities**, jobs decreased in all three geographic areas.

The second quarter of 2012 is the latest period for which city data from the Quarterly Census of Employment and Wages (QCEW) is available. To give an idea of the **latest developments**, preliminary data from the Bureau of Labor Statistics (Current Economic Survey-CES) show that in third quarter 2012, the 13-county Minneapolis-St. Paul-Bloomington metro area gained 4,000 jobs. The area added jobs steadily throughout the year, increasing every month aside from July and December.

Jobs

Figure 3: **JOBS** –2Q-11 to 2Q-12
percentage change



Source: Minnesota Department of Employment and Economic Development (DEED)

Minneapolis industries are sorted from high to low
For metro area definition, see [page 12](#)

Wages

The average weekly wage in Minneapolis in the second quarter of 2012 was \$1,152, the same in nominal dollars from the previous year, but about 3.0 percent lower when accounting for inflation.

Most sectors saw lower average weekly wages in nominal dollars. However in **construction, finance and insurance, manufacturing, and educational services** average weekly wages increased in real dollars as much as \$118 (10.8%).

Average weekly real wages increased the most **from a year earlier** in **Construction (10.8 percent)** and **Educational Services (8 percent)**.

Table 3: **AVERAGE WEEKLY WAGE** – Minneapolis¹
in current dollars

	2Q-2011	3Q-2011	4Q-2011	1Q-2012	2Q-2012	Change from 2Q-11 - 2Q-12
Total, All Industries	\$ 1,152	\$ 1,154	\$ 1,224	\$ 1,319	\$ 1,152	\$ -
Construction	\$ 1,088	\$ 1,121	\$ 1,177	\$ 1,143	\$ 1,206	\$ 118
Manufacturing	\$ 1,067	\$ 1,129	\$ 1,200	\$ 1,175	\$ 1,103	\$ 36
Utilities	\$ 1,659	\$ 1,672	\$ 1,656	\$ 2,643	\$ 1,628	\$ (31)
Wholesale Trade	\$ 1,234	\$ 1,286	\$ 1,458	\$ 1,339	\$ 1,215	\$ (19)
Retail Trade	\$ 500	\$ 515	\$ 518	\$ 537	\$ 481	\$ (19)
Transportation and Warehousing	\$ 984	\$ 985	\$ 955	\$ 1,014	\$ 915	\$ (69)
Information	\$ 1,348	\$ 1,371	\$ 1,380	\$ 1,402	\$ 1,312	\$ (36)
Finance and Insurance	\$ 1,657	\$ 1,686	\$ 1,869	\$ 2,925	\$ 1,734	\$ 77
Real Estate and Rental and Leasing	\$ 1,291	\$ 1,358	\$ 1,364	\$ 2,223	\$ 1,239	\$ (52)
Professional and Technical Services	\$ 1,679	\$ 1,685	\$ 2,138	\$ 1,678	\$ 1,683	\$ 4
Management of Companies and Enterprises	\$ 2,141	\$ 1,737	\$ 1,627	\$ 2,213	\$ 1,993	\$ (148)
Administrative and Waste Services	\$ 655	\$ 692	\$ 722	\$ 680	\$ 636	\$ (19)
Educational Services	\$ 1,049	\$ 1,058	\$ 1,105	\$ 1,012	\$ 1,133	\$ 84
Health Care and Social Assistance	\$ 950	\$ 966	\$ 995	\$ 938	\$ 950	\$ -
Arts, Entertainment, and Recreation	\$ 1,370	\$ 1,558	\$ 891	\$ 915	\$ 1,378	\$ 8
Accommodation and Food Services	\$ 371	\$ 396	\$ 388	\$ 386	\$ 384	\$ 13
Other Services, Ex. Public Admin	\$ 602	\$ 642	\$ 629	\$ 608	\$ 586	\$ (16)
Public Administration	\$ 1,263	\$ 1,259	\$ 1,285	\$ 1,278	\$ 1,223	\$ (40)

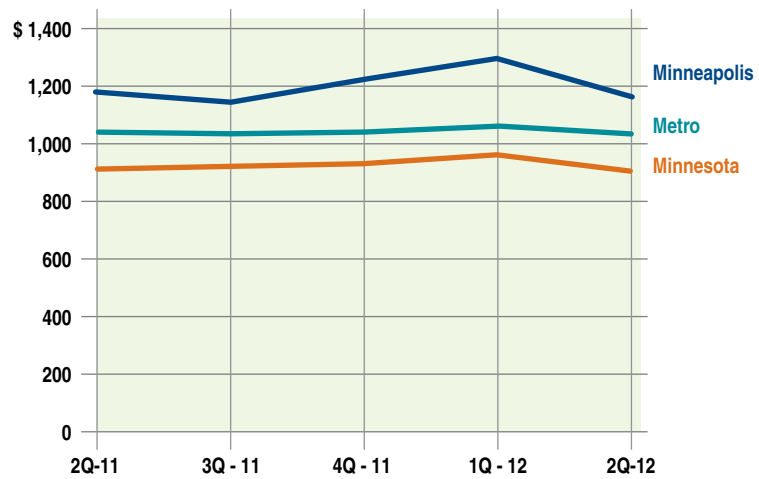
Source: Minnesota Department of Employment and Economic Development (DEED) – Minnesota Quarterly Census, Employment

¹ Natural resources and agriculture, fishing and forestry employment are not counted. Some industry numbers may not be disclosed because of privacy issues.

Wages

In general, jobs in Minneapolis command higher average weekly wages than the metropolitan area or the state. However this quarter, average weekly wages in inflation-adjusted dollars dropped in the city and at a greater pace than either the metro area or the state.

Figure 4: **AVERAGE WEEKLY WAGES – 2Q-11 to 2Q-12**
in inflation-adjusted dollars



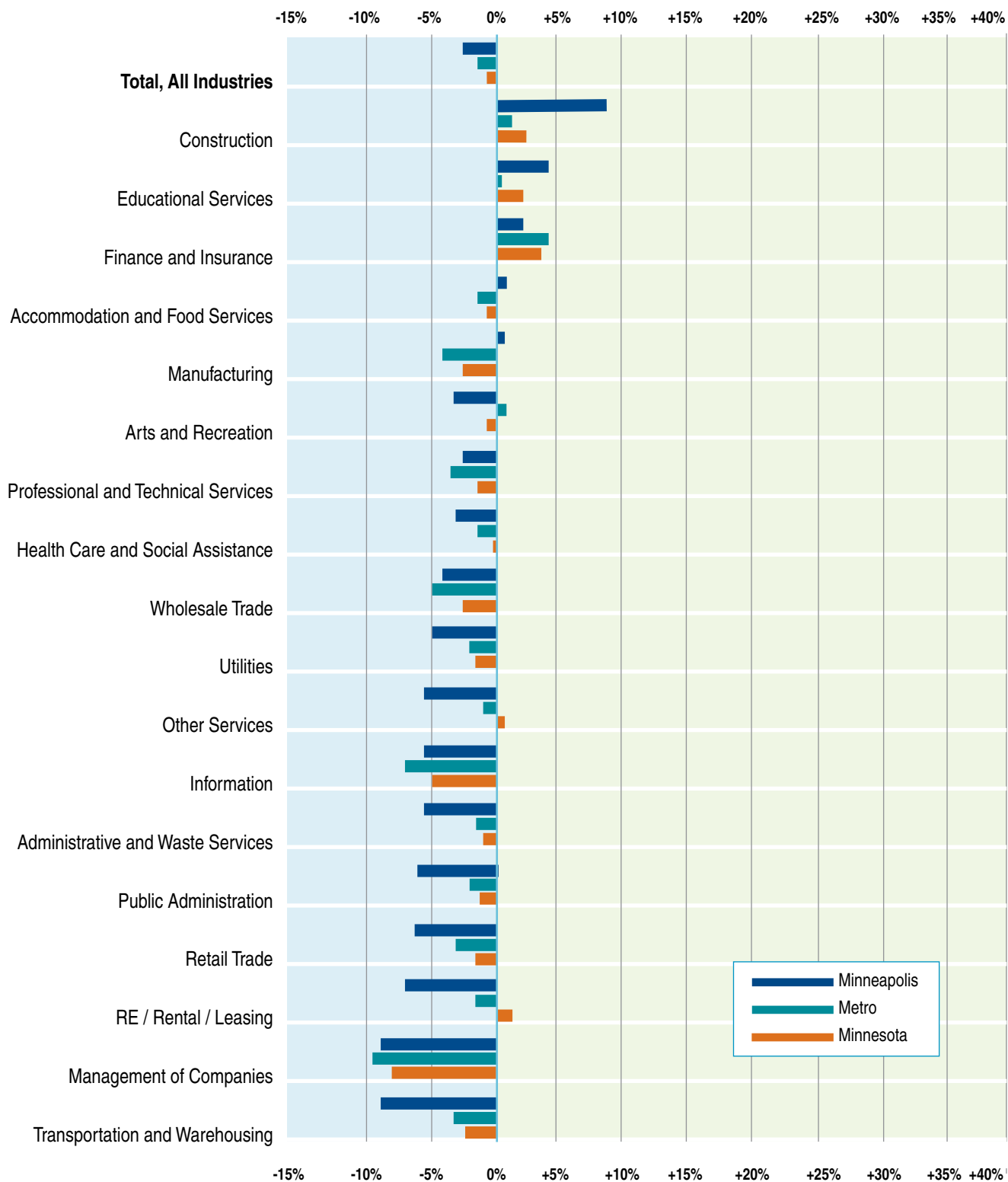
	2Q-11	3Q-11	4Q-11	1Q-12	2Q-12	\$ change 1Q-11 to 3Q-12	% change 1Q-11 to 1Q-12
Minneapolis	\$ 1,188	\$ 1,167	\$ 1,238	\$ 1,319	\$ 1,152	(\$ 36)	-3.0%
Metro area	\$ 1,048	\$ 1,045	\$ 1,066	\$ 1,139	\$ 1,021	(\$ 27)	-2.6%
Minnesota	\$ 924	\$ 931	\$ 954	\$ 995	\$ 906	(\$ 18)	-2.0%

Source: Minnesota Department of Employment and Economic Development (DEED)

For conversion factors, see [page 12](#)

Wages

Figure 5: **AVERAGE WEEKLY WAGES** – 2Q-11 to 2Q-12
percent change in inflation-adjusted dollars*



Source: Minnesota Department of Employment and Economic Development (DEED)

* For conversion factors, see [page 12](#)

Minneapolis industries are sorted from high to low.

For metro area definition, see [page 12](#)

Wages

Only a few economic sectors in Minneapolis saw average real weekly wages increase. These sectors were construction, educational services, finance and insurance, accommodation and food services, and manufacturing. In the metro and state geographies average weekly wages also decreased in most sectors, as shown in Figure 5 above. **Construction** wage growth was the highest in Minneapolis and the state, while in the metro **finance and insurance** experienced the highest wage growth.

- In **construction** average weekly real wages rose much faster in the city than in the metro or state. Wages increased over **7 percent** in the city compared with about 1 percent in the metro and 3 percent statewide.
- **Education services** wage increase also outpaced growth in the metro and state with about **5 percent growth**, compared to nominal and 1 percent growth in the metro and state respectively.
- **Management wages** fell across all geographies at rates of about **9 to 10 percent**.

Definitions & sources

Labor Force, Employment and Unemployment: Labor force, employment and unemployment by place of residence are based on monthly figures from the Minnesota Department of Employment and Economic Development. Labor force means the number of non-farm workers employed or looking for a job at a given time. For complete definitions go to: <http://www.bls.gov/opub/hom/pdf/homch1.pdf>

Metro area: The following counties make up the seven-county metropolitan area: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Jobs and wages: Average number of jobs by industry is based on data of all establishments covered under the Unemployment Insurance System, which includes about 97 percent of Minnesota employment. Some categories of employment are excluded, including sole proprietors, self-employed people, railroad workers, elected government officials and others working on a commission basis. Tables 2 and 3 show data to two digits by industry in the North American Industry Classification System (NAIC) for Minneapolis, the seven-county metropolitan area, and Minnesota. To see how the “digits” work, go to <http://www.census.gov/eos/www/naics/>

Inflation-adjusted figures: Values reported in table 3 are expressed in current dollars (not adjusted for inflation). For analysis purposes, however, text is based on these table values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics’ Consumer Price Index (CPI) for all urban consumer goods in the Minneapolis-Saint Paul, Minnesota-Wisconsin statistical metropolitan area and the Midwest urban areas. For the second quarter of 2012, dollars have been converted with an index reflecting the CPI for the first half of 2012 and first half of 2011 with 2012 as a base year for Minneapolis and metro area, and the state. To look at the indexes go to: <http://www.bls.gov/cpi/> then go to databases and to “All urban consumers (current series).”

Development indicators

- 1,532 new construction residential units were permitted this quarter, most of them rental units in multifamily buildings, and an additional 386 net units were permitted via conversions from non-residential uses and partitions or consolidations of residential units.
- Total net units permitted this quarter were 1,918 units, the second consecutive quarter with the highest total in the last ten years.
- The city permitted 31 percent more multifamily units this quarter than last quarter and 360 percent more than the fourth quarter last year.
- Twenty four residential and commercial projects costing at least \$1 million were permitted this quarter, totaling \$302.2 million. The largest single project was a new 356 - unit, 36 story apartment building called Loring Park Apartments. The second largest was Lime, a 171 - unit mixed use apartment building.

New construction

Permitting of single-family units continued to increase slowly, but the number of multifamily units increased significantly from the previous quarter and from the same quarter last year.

Permitting activity in the metro area also increased, adding 25 percent more units as were permitted last quarter and 150 percent more than the same quarter last year.

Figure 6 shows the dramatic increase in construction of new multifamily units since last year. These numbers do not include remodeling and conversion projects, which are discussed on page 25. Remodeling and conversion projects are reported separately from new building permits, and appear in Table 5 and Map 2.

Table 4: NEW RESIDENTIAL UNITS PERMITTED

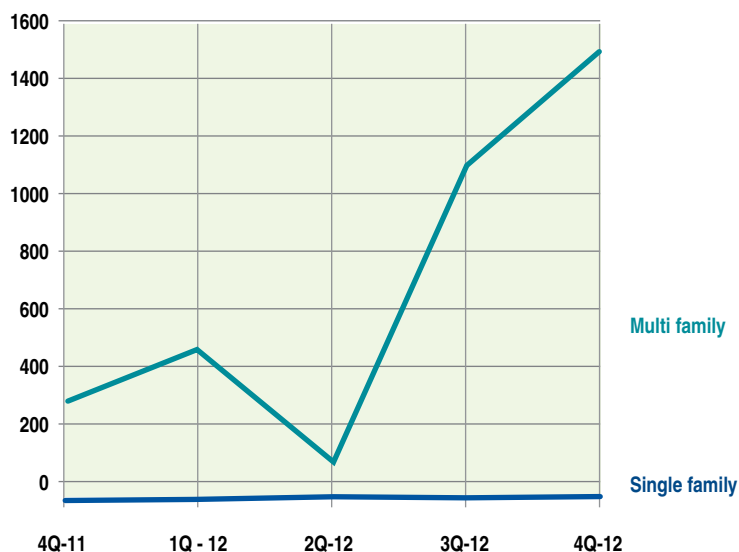
	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Single-family					
City	14	11	20	21	24
Metro area	851	706	1,318	1,422	1,262
Multifamily					
City	328	448	121	1,150	1,508
Metro area	722	668	555	1,691	2,634
Total Units					
City	342	459	141	1,171	1,532
Metro area*	1,573	1,374	1,873	3,113	3,896

Source: U.S. Census Bureau, based on estimated number of permits with imputation

* Estimated number of permits with imputation: The Census Bureau estimates that about 8 percent of the total number of units permitted are underreported by counties in the metro area.

For metro area definition, see [page 12](#)

Figure 6: NEW RESIDENTIAL UNITS PERMITTED – Minneapolis



Source: U.S. Census Bureau, and
Minneapolis Regulatory Services

New construction

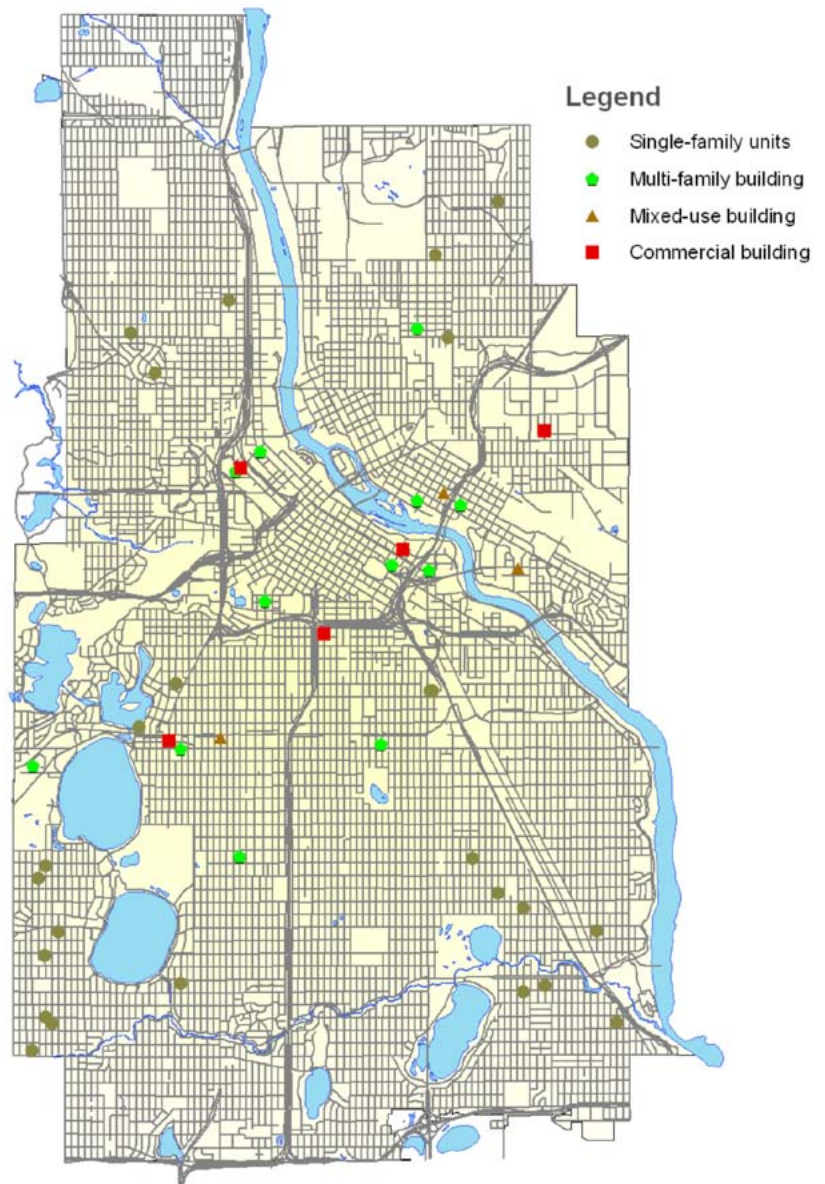
Twenty four single-family dwellings were permitted, many of them in the south-western part of the city, near Lake Harriet and Lake Calhoun.

Sixteen new apartment buildings totaling 1,508 units were permitted this quarter. In addition 386 net units were permitted through conversion projects – this will result in nearly 1,900 new units coming online in the near future. Combined with the previous three quarters, the City of Minneapolis issued construction permits for nearly 3,900 new and converted dwelling units in 2012.

Several non-residential buildings were also permitted, including the construction of the Uptown Library on Hennepin Avenue, and the new Izzy's Ice Cream production and retail space in Downtown.

Map 1: **NEW CONSTRUCTION** – 4Q-12

Source: Minneapolis Regulatory Services



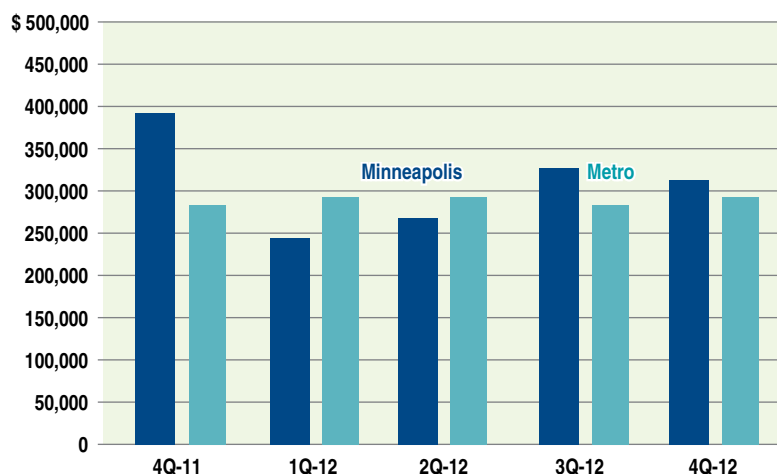
Cost of residential construction

The twenty four new single-family homes permitted this quarter had estimated construction costs ranging from \$127,000 to \$735,000, with a median of \$250,000.

The average single-family construction cost in the city decreased by 4 percent this quarter in comparison with last quarter, and decreased 21 percent compared with the same quarter last year. In the metro area construction costs increased 7.6 percent, and also increased 4.7 percent compared with the same quarter last year.

This quarter the average construction cost of multifamily units increased in the city from last quarter as well as from a year. In the metro, construction costs held mostly flat over the same time periods.

Figure 7: **SINGLE-FAMILY CONSTRUCTION COST**
per unit



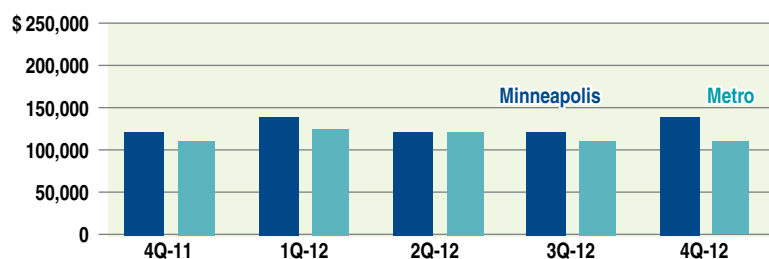
	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Minneapolis	\$ 392,671	\$ 244,438	\$ 255,347	\$ 323,310	\$ 310,675
Metro area	\$ 285,657	\$ 297,645	\$ 289,662	\$ 277,800	\$ 298,970

Source: U.S. Census Bureau

Table values are not adjusted for inflation

For metro area definition, see [page 12](#)

Figure 8: **MULTIFAMILY CONSTRUCTION COST**
per unit



	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Minneapolis	\$ 126,723	\$ 141,933	\$ 126,603	\$ 124,285	\$ 141,456
Metro area	\$ 121,049	\$ 139,963	\$ 126,276	\$ 119,944	\$ 120,911

Source: U.S. Census Bureau

Values in table are not adjusted for inflation

For metro area definition, see [page 12](#)

Conversions, remodels & additions

The City experienced a slight decrease in **residential** remodeling, conversion and addition projects with a value of \$50,000 or more this quarter, but the total value was significantly higher. Compared to last quarter, six fewer buildings received permits to make improvements, convert from other uses, or add more units to existing residential structures.

The higher value this quarter was the result of a few multimillion conversions. Compared to fourth quarter last year, there were forty three more

permitted building remodels, additions and conversions from other residential uses. This quarter the Soo Line building was permitted to convert from offices into 250 rental units in downtown.

At \$41.1 million, overall projected cost of **non-residential** construction was less than half of the total from the third quarter, and 25 percent lower than the fourth quarter of 2011.

Table 5: **PERMITTED CONVERSIONS, REMODELS AND ADDITIONS**
projects \$50,000 +

	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Total Residential¹					
Number of buildings	122	122	141	171	165
Total value	\$ 47,573,100	\$ 14,900,500	\$ 47,063,000	\$ 33,573,026	\$ 99,357,226
Remodels					
Number of buildings	118	120	132	166	158
Value	\$ 17,247,700	\$ 14,581,500	\$ 18,634,700	\$ 28,342,503	\$ 52,359,744
Conversions and additions²					
Number of buildings	4	2	9	5	7
Net number of units	256	0	187	259	386
Value	\$ 30,325,300	\$ 319,000	\$ 28,428,300	\$ 5,230,523	\$46,997,482
Total non-residential¹					
Number of buildings ³	119	109	144	150	141
Value	\$ 54,875,300	\$ 89,184,700	\$ 121,716,400	\$ 98,747,731	\$41,099,298

Source: Minneapolis Regulatory Services

1 Residential and non-residential building listings may include structural work, build-outs (other than new building build-outs) and other improvements.

2 Residential conversions consist of a change in uses (e.g. from an office building to residential apartments) or subdividing or consolidating residential units.

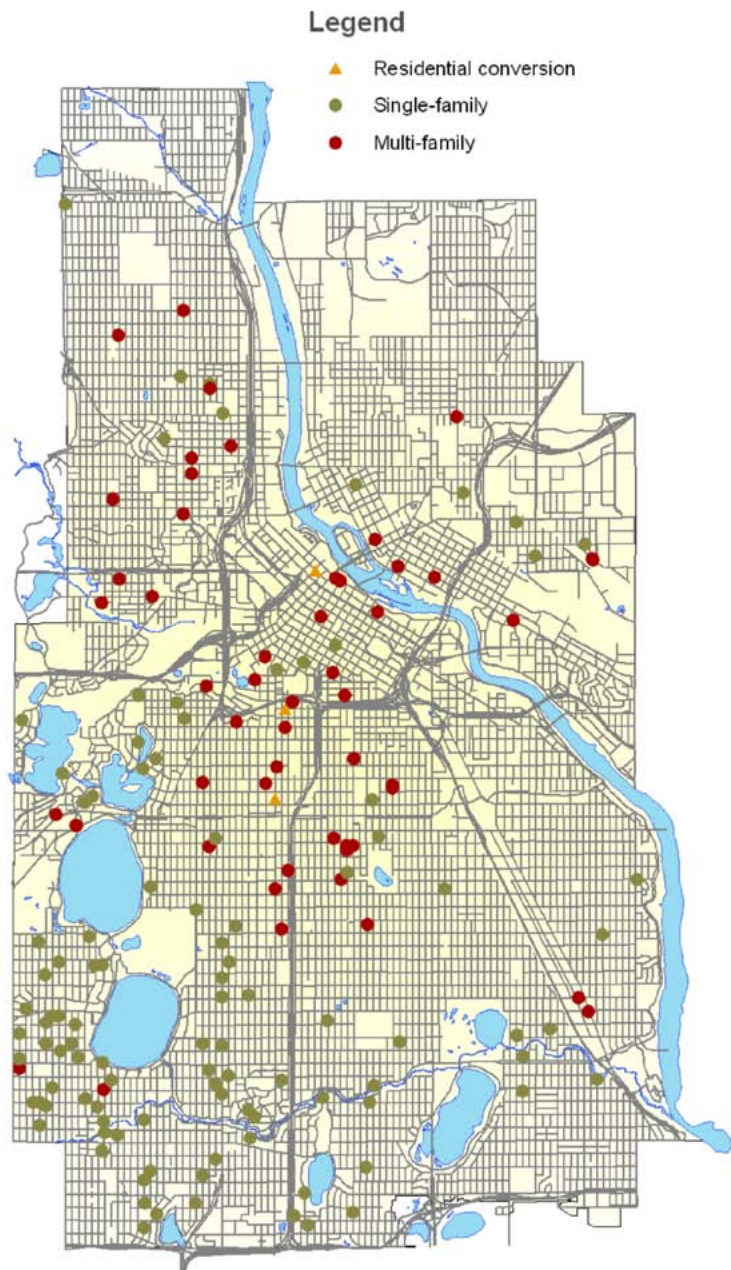
3 Types of non-residential buildings vary, including parking ramps, communication equipment, and public works, commercial or industrial buildings.

Conversions, remodels & additions

About one third of residential buildings with remodeling permits this quarter were single-family dwellings. Residential remodels accounted for approximately half of the construction value for remodels in the City this quarter.

Map 2 **RESIDENTIAL REMODELING, RENOVATION & CONVERSION – 4Q-12**
projects \$50,000 +

Source: Minneapolis Regulatory Services

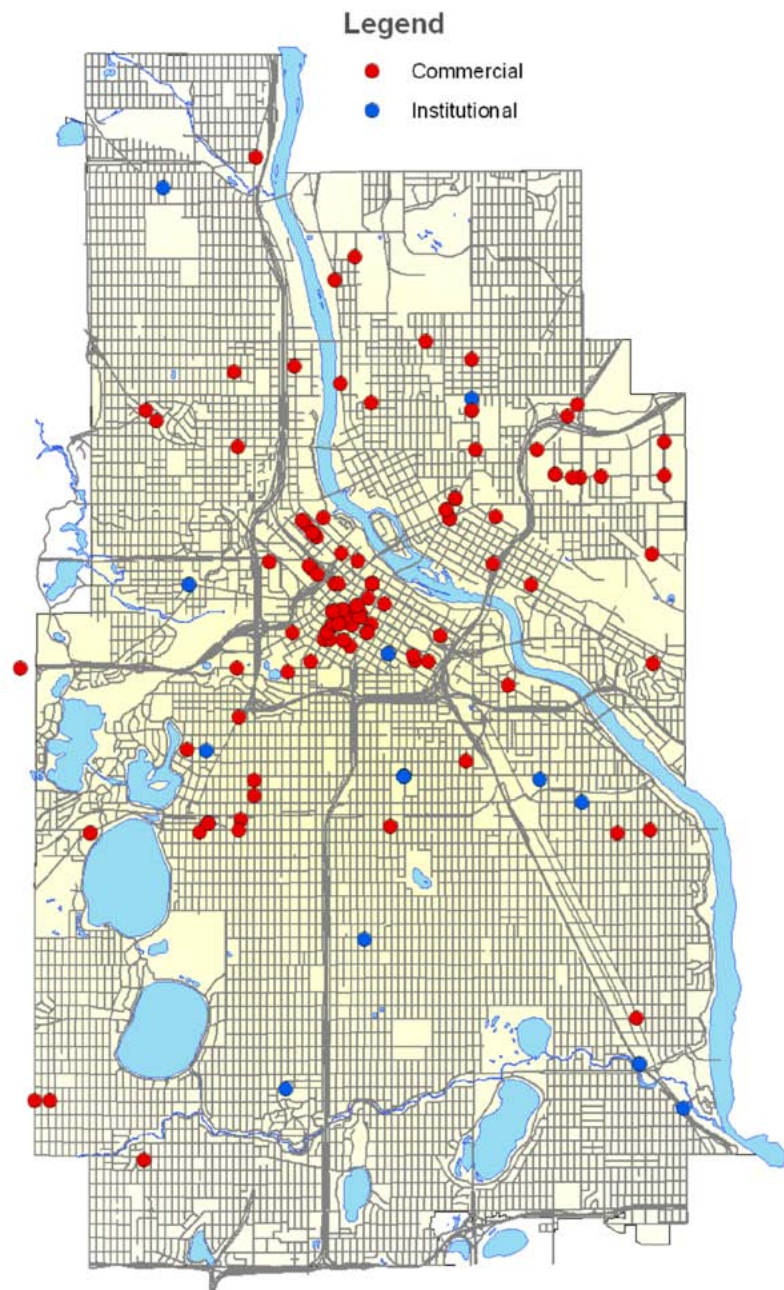


Conversions, remodels & additions

Permit activity continued to be heaviest in the Downtown area of the city, most being office build-outs and remodels. Northeast experienced the second highest concentration of non-residential remodeling permits in the fourth quarter of 2012.

Map 3: **NON-RESIDENTIAL REMODELING & RENOVATION – 4Q-12**
projects \$50,000 +

Source: Minneapolis Regulatory Services



Major construction projects

The following list shows major projects permitted in Minneapolis in the third quarter of 2012. The dollar amounts only reflect projected

construction cost (not land acquisition or soft costs) for permits issued that quarter. The highest cost projects were six apartment buildings ranging

between \$28 million and \$19 million that will add 1,150 units to the housing stock, or 82 percent of the total of rental units permitted.

Table 6: **MAJOR MINNEAPOLIS CONSTRUCTION PROJECTS** projects \$1,000,000+

Description	Address	Neighborhood	Projected construction \$	CPED Involvement ¹
Loring Park Apartments: New 354-unit, 36 story apartment building with retail	1368 Lasalle Ave	Loring Park	\$ 73,102,363	
Soo Line Building: Conversion from office to 254-unit apartment building	101 5th St S	Downtown West	\$ 30,080,000	●
Lime: New 171-unit apartment building with retail	2900 Lyndale Ave S	Lowry Hill East	\$ 25,000,000	
Calhoun Greenway: New 185-unit apartment building with retail	3140 Chowen Ave S	West Calhoun	\$ 22,696,132	
7west: New 213-unit apartment building	1800 Washington Ave S	Cedar Riverside	\$ 21,701,772	
City Walk Uptown: New 92-unit apartment building with retail	1320 Lake St W	Lowry Hill East	\$ 15,924,877	
Conversion from nursing home to 123-unit apartment building	110 18th St E	Steven's Square	\$ 15,729,782	●
The Knoll: New 101-unit apartment building	312 11th Ave Se	Marcy Holmes	\$13,150,000	
Millennium Hotel: Interior remodel	1313 Nicollet Mall	Loring Park	\$12,100,000	
The Station on Washington: 97-unit apartment building with retail	616 Washington Ave SE	University	\$ 9,767,309	●
The Elysian: New 56-unit apartment building and Church	401 8th Ave SE	Marcy Holmes	\$ 9,143,548	
Stone Arch 2: New 91-unit apartment building	520 2nd St Se	Marcy Holmes	\$ 8,827,174	●
Brunsfeld Place Apartments: New 47-unit apartment building with retail	915 Washington Ave N	North Loop	\$ 8,531,888	●
Uptown Library reconstruction	2880 Hennepin Ave	East Isles	\$ 8,374,019	
Industrial lab interior remodel	2001 Kennedy St Ne	Mid-City Industrial	\$ 7,799,580	
Jackson Flats: New 35-unit apartment building	1839 Jackson St Ne	Logan Park	\$ 5,750,000	●
Spirit on Lake: New 46-unit apartment building with retail	2930 13th Ave S	Midtown Phillips	\$ 4,820,000	●
New warehouse	340 Taft St Ne	Mid-City Industrial	\$ 1,731,071	
HealthPartners: Interior remodel	2220 Riverside Ave	Cedar Riverside	\$ 1,679,117	
Izzy's Ice Cream: production and retail space	1100 2nd St S	Downtown East	\$ 1,440,676	●
Hope Community Church: Interior remodel	1025 7th St S	Elliot Park	\$ 1,311,069	
Abbott Northwestern: Alterations to operating room	2600 10th Ave S	Midtown Phillips	\$ 1,309,500	
Hennepin County Courthouse Remodel	300 6th St S	Downtown West	\$ 1,200,000	
Hyatt Regency: Remodel of Hotel Conference Rooms	1300 Nicollet Mall	Loring Park	\$ 1,074,899	

Source: Minneapolis Regulatory Services and CPED

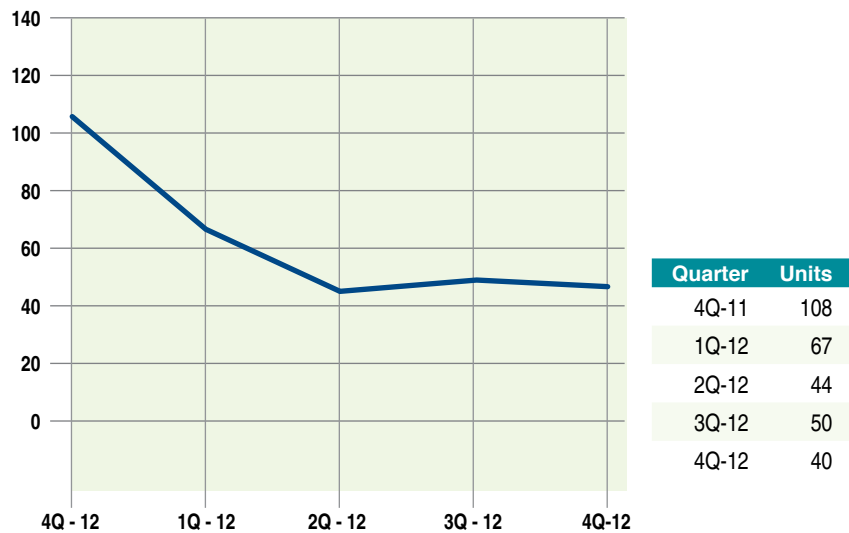
* Includes more than one permit at one address

1 Community Planning and Economic Development (CPED) assists selected construction projects in the City with land assembly, property purchases, grants for land remediation, and financial assistance through bonds or small loans for businesses. All development projects regardless of financial involvement receive technical assistance from CPED on land use and regulatory matters.

Demolitions

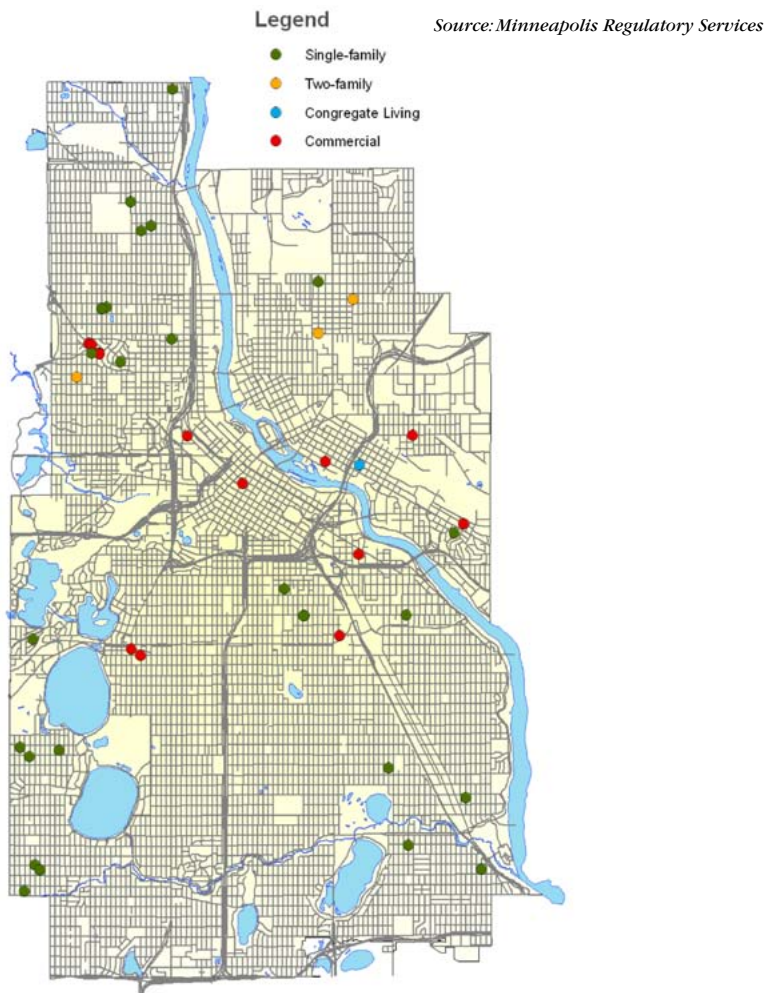
Since 4Q-11 residential demolitions have decreased steadily, and the number this quarter is lower than the same quarter last year.

Figure 9: **RESIDENTIAL UNITS DEMOLISHED – Minneapolis**



Source: Minneapolis Regulatory Services

Map 4: **DEMOLITIONS –4Q-12**



Building permits for new construction: Permits represent construction projects (residential and non-residential) approved by the City. Typically there is a time lag between issuing a permit and actual construction.

Table four and figures six to eight are based on monthly figures for the city of Minneapolis and metropolitan area provided by the U.S. Census Bureau. For mapping purposes, data on new building construction, remodels, conversions and demolitions for the city are based on permit information by address from the City's Regulatory Services Department. Numbers from the U.S. Census Bureau and Minneapolis Regulatory Services may differ slightly for the same period because of a time-lag in reporting. Census Bureau numbers do not include additions, remodels or demolitions.

Single-family buildings have only one unit in the building.

Multifamily buildings have two or more units in the building, except when noted that triplexes and duplexes are counted separately (in that case, multifamily buildings have four or more units.)

Cost of residential construction is based on the cost developers report on permit requests for their projects.

Construction cost per unit refers to the total construction cost reported divided by the number of units permitted during the period considered.

Non-residential buildings include any kind of use except residential. Cost is based on the amount the developer reports to the City's Regulatory Services Department.

Building permits for residential remodeling, additions and conversions: Table five and maps two and three are based on data from the City of Minneapolis Regulatory Services Department. Information includes all City-approved projects for remodeling, additions and conversions with a value of \$50,000 or more.

Building permits for demolitions: These data were obtained from the City of Minneapolis Regulatory Services Department and include all partially or totally demolished buildings. The multifamily building category includes rentals and condominiums.

Maps – Building uses: Categories listing the uses of buildings are based on descriptions from their permits. The following categories are used:

Map 1 – New buildings

Single-family: means detached dwellings.

Other residential: means buildings with two (duplex and double bungalow), three (triplex) or more residential units, including townhouses.

Mixed-use residential: means buildings with other uses in addition to residential, for example, residential and commercial; residential and retail and/or office.

Non-residential use: means all buildings that do not have a residential component. It also includes structures such as communications towers and skyways.

Map 2 – Residential remodels with a construction cost of \$50,000 or more:

Single-family includes all detached single-family dwellings with permits for renovations, additions or improvements.

Other residential includes all residential buildings that are not detached single-family dwellings, including units in buildings with two or more units. It includes remodeling or build-outs of one or more individual units and remodeling of the entire building.

Conversions consist of the construction of new residential units in non-residential buildings such as factories, warehouses, hotels and others and remodeling of a building for residential uses. It does not include conversions of apartment units to condominiums. It includes changing two or more residential units into a single residence or the subdivision of a single unit into several.

Map 3 – Non-residential remodels, additions and improvements with a cost of \$50,000 or more

Commercial includes offices, warehouses, factories, restaurants and retail buildings in general. It may be a build-out of an office space or several floors, or it may be the remodeling of an entire building. Several tenant remodels at one address are considered one project, i.e. renovation of 33 S. Sixth St. (the former Multifoods Tower) downtown.

Institutional: This category includes hospitals, clinics, churches, schools, nursing homes, correctional centers and any other institutional use.

Transportation related includes parking, skyways and bus and rail terminals.

Map 4 – Demolitions

Single family buildings: All detached residential buildings with one unit in the structure.

Multi-family buildings: All residential buildings with 2 or more units in the structure.

Non-residential: All non-residential buildings and structures

Housing stock & the real estate market

- The average apartment vacancy rate in Minneapolis increased from 1.6 percent in the third quarter to 1.8 percent.
- The number of traditional housing sales increased over the same quarter last year, while lender-mediated sales decreased by 4 percent. Average prices decreased slightly from the previous quarter, but on a year-to-year basis sale prices continue to climb.
- The number of condemned, boarded and vacant buildings in the city decreased for the fourth consecutive quarter, down nearly 17 percent from the same time last year.
- Foreclosure sales also continue to decline, 19 percent over the previous quarter, and 22 percent when compared to the same time last year.
- The office vacancy rate in the Minneapolis central business district (CBD) hovered between 14.5 percent and 16.3 percent this quarter, depending on the firm reporting. Retail vacancies ranged from 13.6 percent to 26.8 percent.

Apartment vacancy rates & average rents

The Minneapolis vacancy rate for multifamily rental housing increased this quarter from 1.6 percent last quarter to 1.8 percent. This is the first observed vacancy rate increase since the end of 2011.

Supply is increasing with several thousand new multi-family units permitted in 2012. However, those units are not expected for delivery until later in 2013 at the earliest.

In the metro area, the vacancy rate was 2.9 percent, a slight increase from last quarter. Construction of new apartments took place almost entirely in Hennepin, Ramsey, and Dakota counties, with Minneapolis accounting for 57 percent of the new units permitted this quarter in the metro area.

Table 7: **VACANCY RATE AND AVERAGE RENT**
in current dollars

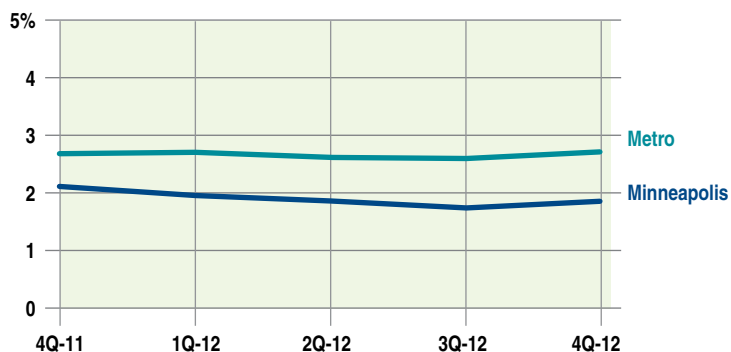
	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Minneapolis					
Units surveyed	14,971	15,388	15,130	16,183	16,831
Vacant units	310	291	275	263	296
Average rent	\$ 960	\$ 978	\$ 1,011	\$ 995	\$ 1,006
Vacancy rate	2.1%	1.9%	1.8%	1.6%	1.8%
Metro area					
Units surveyed	109,707	108,820	107,822	111,204	115,974
Vacant units	3,062	3,072	2,919	2,977	3,353
Average rent	\$ 927	\$ 935	\$ 951	\$ 951	\$ 957
Vacancy rate	2.8%	2.8%	2.7%	2.7%	2.9%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

For metro area definition, [page 41](#)

Figure 10: **RENTAL VACANCY RATES**
in percent



Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

For metro area definition, see [page 41](#)

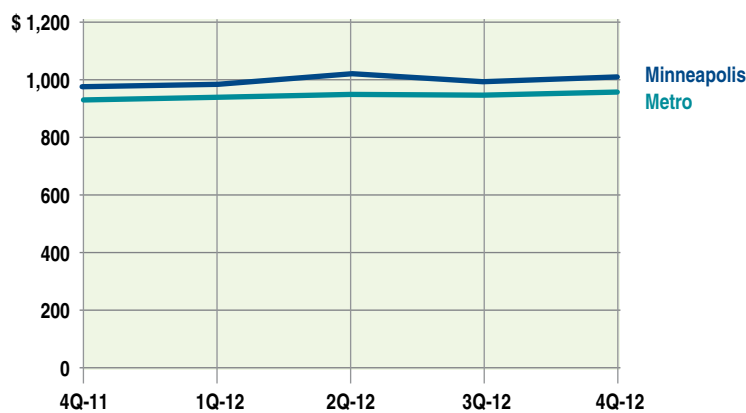
Apartment vacancy rates & average rents

At \$1,006, Minneapolis average rent in inflation-adjusted dollars was slightly higher (1.2 percent) than at the end of last quarter, and about 3.5 percent higher than the fourth quarter of 2012. In the metro area average rent was \$957, increasing slightly in inflation-adjusted dollars in comparison with the previous quarter. It was 1.9 percent higher than the same quarter of 2011 after adjusting for inflation.

The vacancy rate rose slightly in both East and Downtown from last quarter, but continued to decrease in South and Southwest. North saw a marked increase over the previous quarter. Compared to the same quarter last year, the vacancy rate rose in Downtown and East, while North remained unchanged. Southwest experienced a modest decline in vacancy from year to year. The largest change from year to year occurred in South, where the vacancy rate dropped from 4.9 percent in the fourth quarter of 2011, all the way down to 1.6 percent in the fourth quarter of 2012.

* For conversion factors, see [page 41](#).

Figure 11: **AVERAGE APARTMENT RENT**
in current dollars



In inflation-adjusted dollars

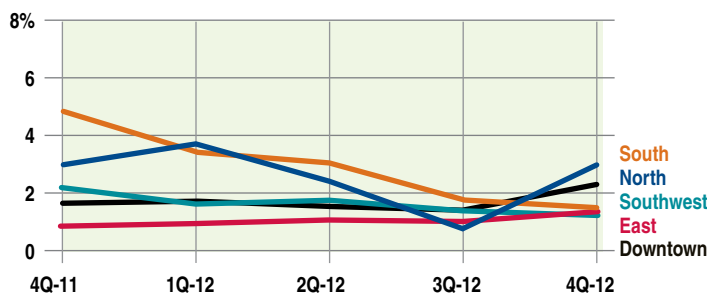
	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Minneapolis	\$ 972	\$ 987	\$ 1,015	\$ 994	\$ 1,006
Metro area	\$ 939	\$ 943	\$ 955	\$ 950	\$ 957

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

* For conversion factors, see [page 41](#)

Figure 12: **VACANCY RATES BY MINNEAPOLIS GEOGRAPHIC SECTORS***
in percent



	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Downtown	1.9%	1.9%	1.7%	1.7%	2.2%
Southwest	2.2%	1.8%	1.9%	1.6%	1.5%
North	2.8%	3.9%	2.2%	1.1%	2.8%
South	4.9%	3.8%	3.1%	1.8%	1.6%
East	1.1%	1.2%	1.4%	1.5%	1.7%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

* For sector definitions, see [page 41](#).

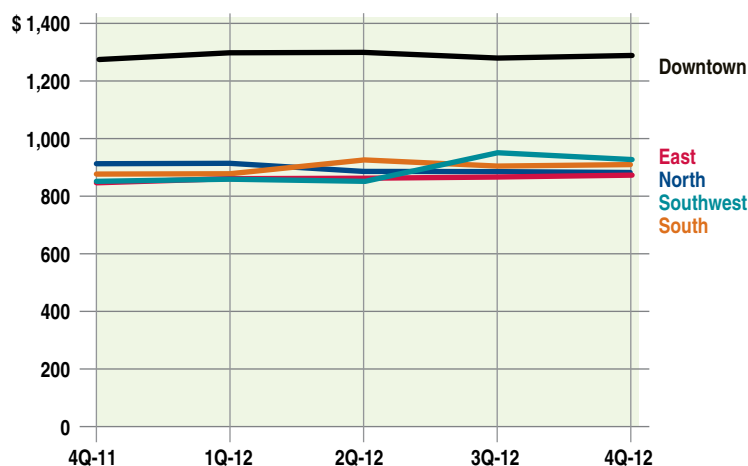
Apartment vacancy rates & average rents

Average rents increased in all sectors of Minneapolis except for the East sector, which saw a slight decrease of 0.3 percent. Downtown and South posted the largest quarterly increase, both at 2.3 percent.

On a year to year basis, rents increased the most in Southwest Minneapolis (4.7 percent, or nearly 40 dollars), followed by South (about 3.5 percent, or approximately 30 dollars). Rents also increased in Downtown and East, while North experienced a 2.6 percent decline in rent.

* For conversion factors, see [page 42](#).

Figure 13: **AVERAGE MONTHLY RENT BY CITY GEOGRAPHIC SECTORS***
in inflation-adjusted dollars



	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Downtown	\$ 1,264	\$ 1,288	\$ 1,272	\$ 1,256	\$ 1,285
Southwest	\$ 863	\$ 855	\$ 922	\$ 898	\$ 903
North	\$ 891	\$ 895	\$ 873	\$ 871	\$ 874
South	\$ 872	\$ 869	\$ 905	\$ 882	\$ 902
East	\$ 858	\$ 882	\$ 880	\$ 883	\$ 880

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter.

* For conversion factors, see [page 42](#).

** For City sectors definition see [page 41](#).

Apartment vacancy rates & average rents

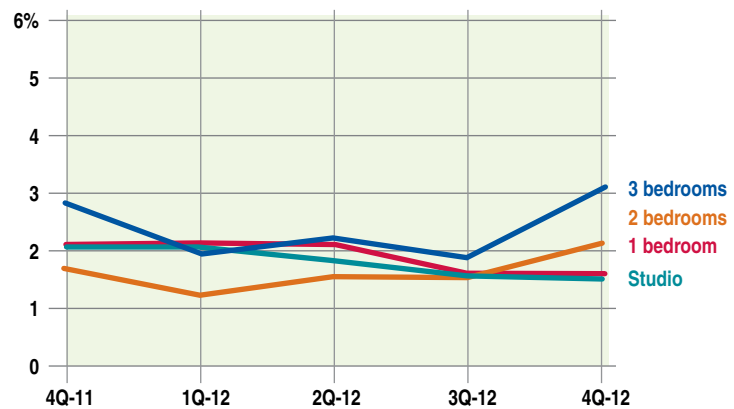
Vacancy rates held steady for studio and one-bedroom apartment types while two-bedroom and three-bedroom vacancy rates increased.

In comparison with the fourth quarter of 2011, vacancy rates were lower for studio and one-bedroom apartment types, but higher for two- and three-bedroom units.

Average rents in inflation-adjusted dollars decreased this quarter for two- and three-bedroom unit types. Rents for one and two-bedroom apartments rebounded slightly from their previous quarterly decline.

Average rents increased from a year ago in inflation-adjusted dollars for studio and one-bedroom unit types, while two- and three-bedroom apartments experienced a decline in rent.

Figure 14: **RENTAL VACANCY RATE – Minneapolis**
in percent by apartment type

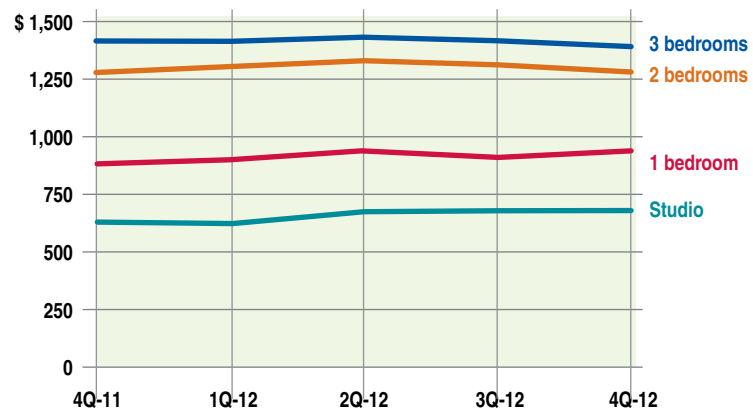


	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Studio	2.1%	2.0%	1.7%	1.5%	1.5%
One-bedroom	2.1%	2.0%	2.0%	1.6%	1.6%
Two-bedroom	1.7%	1.3%	1.6%	1.7%	2.1%
Three-bedroom	2.9%	1.8%	2.1%	1.7%	3.4%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

Figure 15: **AVERAGE UNIT MONTHLY RENT – Minneapolis**
in inflation-adjusted dollars by apartment type



	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Studio	\$ 696	\$ 695	\$ 739	\$ 730	\$ 734
One-bedroom	\$ 894	\$ 907	\$ 934	\$ 914	\$ 933
Two-bedroom	\$1,254	\$ 1,269	\$ 1,287	\$ 1,268	\$ 1,238
Three-bedroom	\$1,407	\$ 1,407	\$ 1,415	\$ 1,404	\$ 1,389

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter.

* For conversion factors, see [page 42](#).

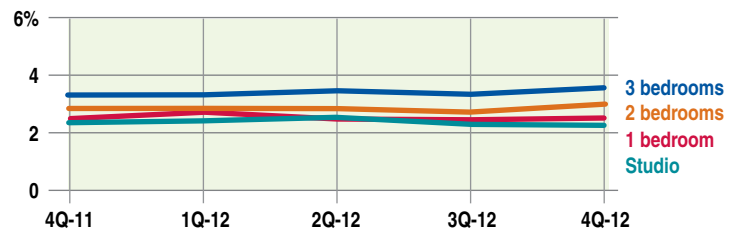
Apartment vacancy rates & average rents

In the metro area vacancy rates increased in all unit types except for studio apartments, where the vacancy rate held steady.

Compared with the fourth quarter of 2011, vacancy rates for all apartment types increased in the fourth quarter of 2012, except for studio apartments which remained unchanged.

Average rents in inflation-adjusted dollars in the metro area increased for all types of apartments since the previous quarter. In comparison with fourth quarter of 2011, average rents also increased for all apartment types.

Figure 16: **APARTMENT RENTAL VACANCIES – Metro area**
in percent by apartment type



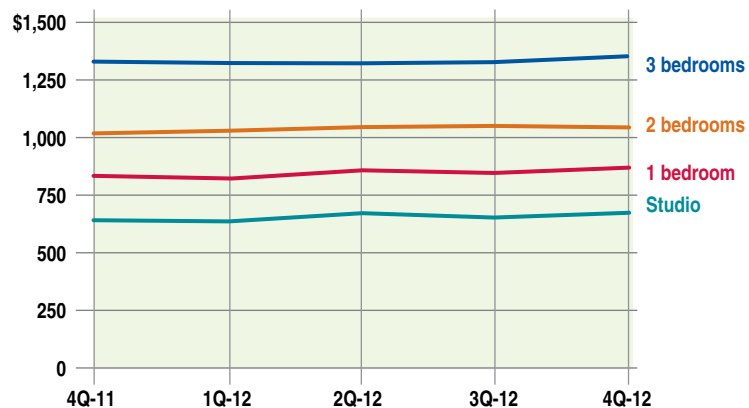
	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Studio	2.2%	2.6%	2.7%	2.2%	2.2%
One-bedroom	2.5%	2.7%	2.4%	2.4%	2.6%
Two-bedroom	3.0%	2.9%	2.9%	2.8%	3.1%
Three-bedroom	3.3%	3.4%	3.3%	3.3%	3.8%

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multifamily rentals are excluded.)

Recorded data for the last month of the quarter

For metro area definition, see [page 41](#)

Figure 17: **AVERAGE APARTMENT MONTHLY RENT – Metro area**
in inflation-adjusted dollars by apartment type



	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Studio	\$ 699	\$ 693	\$ 715	\$ 709	\$ 716
One-bedroom	\$ 821	\$ 819	\$ 833	\$ 827	\$ 836
Two-bedroom	\$ 1,015	\$ 1,024	\$ 1,034	\$ 1,032	\$ 1,037
Three-bedroom	\$ 1,307	\$ 1,306	\$ 1,306	\$ 1,308	\$ 1,323

Source: GVA Marquette Advisors Reports, based on a sample survey of market-rate rental properties 10 units and more (subsidized and small multi family rentals are excluded.)

Recorded data for the last month of the quarter

For metro area definition, see [page 41](#)

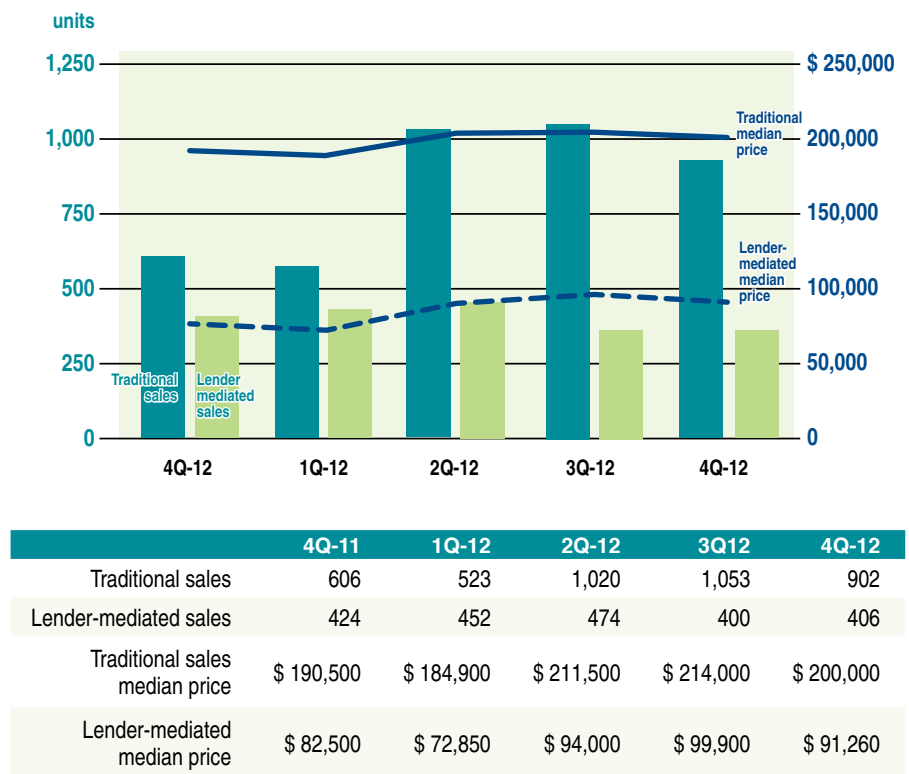
Residential sales

Overall housing sales slowed by 10 percent over the previous quarter. While traditional sales slowed this quarter, lender-mediated sales essentially held steady. Average prices in the quarter decreased slightly for both traditional and lender-mediated sales. The median price of traditional sales in Minneapolis (\$200,000) is slightly below that of the region (\$210,950).

Over a twelve-month period, the number of traditional housing sales increased by nearly 50 percent, while lender-mediated sales decreased by 4 percent, reflecting the declining number of distressed properties in the market.

Median sale prices increased for traditional as well as for lender-mediated sales: 5 percent for traditional sales and 10.6 percent for lender-mediated sales. This quarter lender-mediated sales including foreclosures were 31 percent of all housing sales in the city, while they accounted for 41 percent of sales in the fourth quarter of 2011.

Figure 18: **TRADITIONAL AND LENDER-MEDIATED CLOSED SALES AND MEDIAN SALE PRICE— Minneapolis**

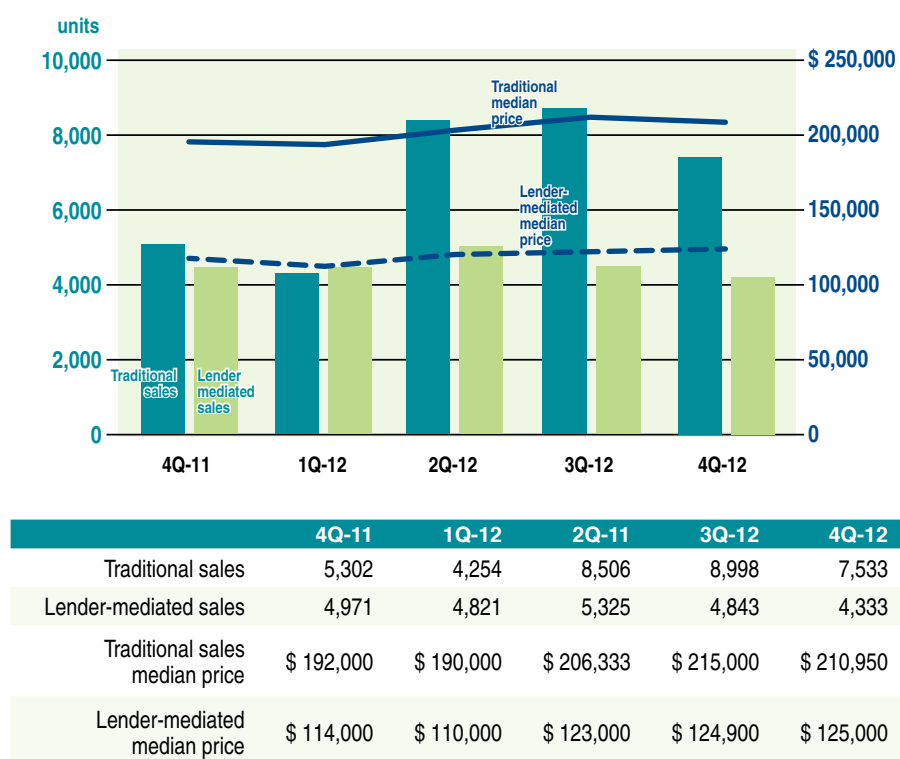


Source: Minneapolis Area Association of Realtors (MAAR)

Residential sales

In the metro area sales were down from the previous quarter by 14.3 percent. The median price for traditional sales was down slightly, about 2 percent. In comparison with the same quarter the previous year, the total number of sales was up. Traditional sales increased about 42 percent, similar to the city, but lender-mediated sales actually declined by about 13 percent. Prices for both categories increased nearly 10 percent.

Figure 19: **TRADITIONAL AND LENDER-MEDIATED CLOSED SALES AND MEDIAN SALE PRICE – Metro area***



Source: *Minneapolis Area Association of Realtors (MAAR)*

* The metro area in this chart refers to the 13 counties covering Minnesota and Wisconsin served by the Minneapolis Area Association of Realtors.

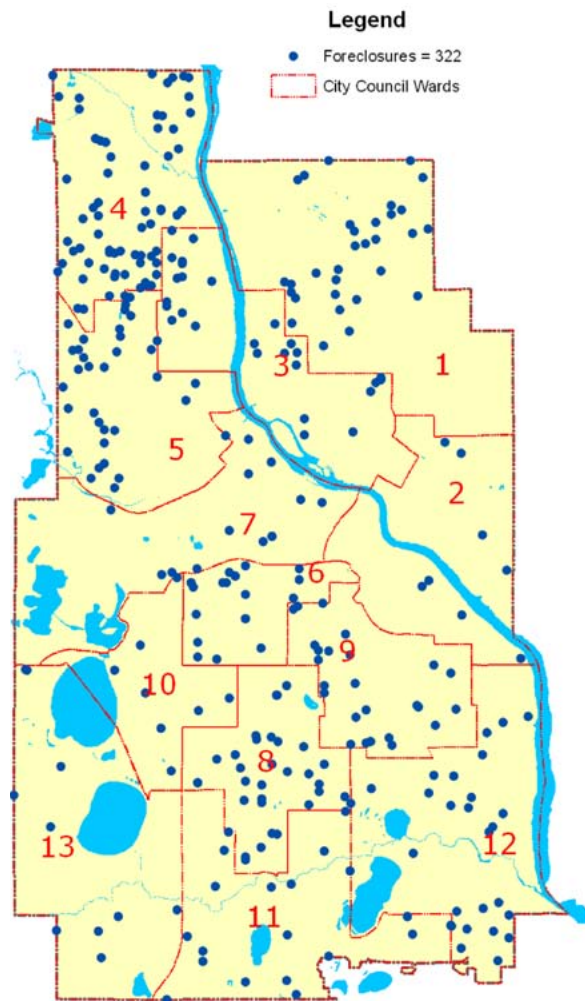
For metro area definition, see [page 41](#)

Foreclosures

This quarter 322 properties were sold at public auction, 19 percent fewer than the previous quarter, and 22 percent lower than fourth quarter 2011. Ward 1, 4, 5, and 8 accounted for more than 50 percent of total foreclosures in the city, with Ward 4 accounting for more than 20 percent of the total.

After peaking at 870 in the second quarter 2008, foreclosures this quarter were lower than the levels of the third quarter of 2006, after foreclosures had begun to increase at the beginning of the housing crisis. It is the lowest observed quarterly number of foreclosures since the first quarter of 2006.

MAP 5: PROPERTIES FORECLOSED – 3Q-12
by wards



Source: Hennepin County

Data on foreclosures downloaded as of June 2012. The table and map do not take into account foreclosures recorded after the data was compiled, nor any properties later redeemed by the owner in the 6 month redemption period.

Table 8: FORECLOSURE PROPERTIES – Minneapolis
by ward

Ward	4Q-11		1Q-12		2Q-12		3Q-12		4Q-12	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1	31	8%	18	5%	37	9%	31	8%	31	10%
2	3	1%	8	2%	5	1%	9	2%	8	2%
3	27	7%	39	12%	30	7%	26	7%	28	9%
4	80	19%	56	17%	83	20%	91	23%	67	21%
5	46	11%	38	11%	42	10%	62	16%	33	10%
6	22	5%	22	6%	18	4%	10	3%	21	7%
7	17	4%	12	4%	34	8%	9	2%	14	4%
8	37	9%	37	11%	38	9%	42	11%	33	10%
9	44	11%	41	12%	31	8%	26	7%	23	7%
10	23	6%	13	4%	11	3%	16	4%	9	3%
11	29	7%	15	4%	22	5%	21	5%	20	6%
12	36	9%	31	9%	34	8%	42	11%	25	8%
13	17	4%	9	3%	20	5%	12	3%	10	3%
Total	412	100%	339	100%	405	100%	397	100%	322	100%

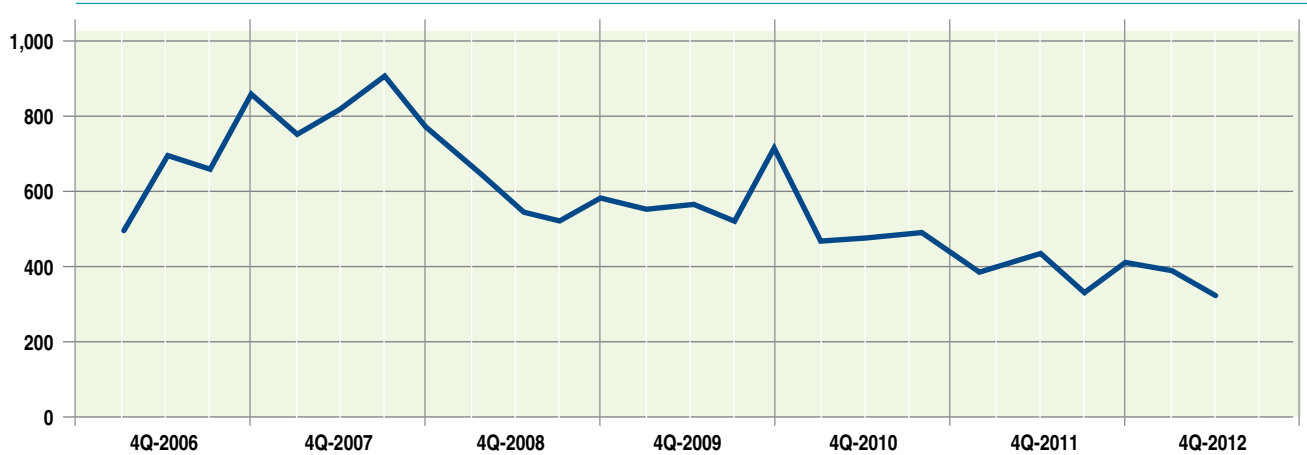
Source: Hennepin County Sheriff's Office. The data is subject to revision by the Sheriff's Office; for complete and current foreclosure listings,

please see the Hennepin County Sheriff's website at <http://www4.co.hennepin.mn.us/webforeclosure/>.

Foreclosures

After peaking at 870 in the second quarter 2008, foreclosures this quarter were lower than the levels of the third quarter of 2006, after foreclosures had begun to increase at the beginning of the housing crisis. It is the lowest observed quarterly number of foreclosures since the first quarter of 2006.

Figure 20: **RESIDENTIAL FORECLOSURES – Minneapolis**
in units



Source: Hennepin County

Data for 2008 have been revised.

Condemned & vacant buildings

The total number of condemned, boarded and vacant buildings in the city decreased by 4.9 percent from third quarter, and was nearly 17 percent lower than at the end of fourth quarter last year. The number of condemned buildings dropped by 16.3 percent compared to fourth quarter last year, while the number of vacant but not condemned buildings decreased 16.8 percent. Condemned buildings have been decreasing more or less steadily since third quarter 2008. Many of the buildings have already been demolished due to an aggressive city policy to remove blighted buildings, while saving as many as possible for rehab.

Map 6: **CONDEMNED AND VACANT BUILDINGS** – as of the end of September 2012

Source: Minneapolis Regulatory Services

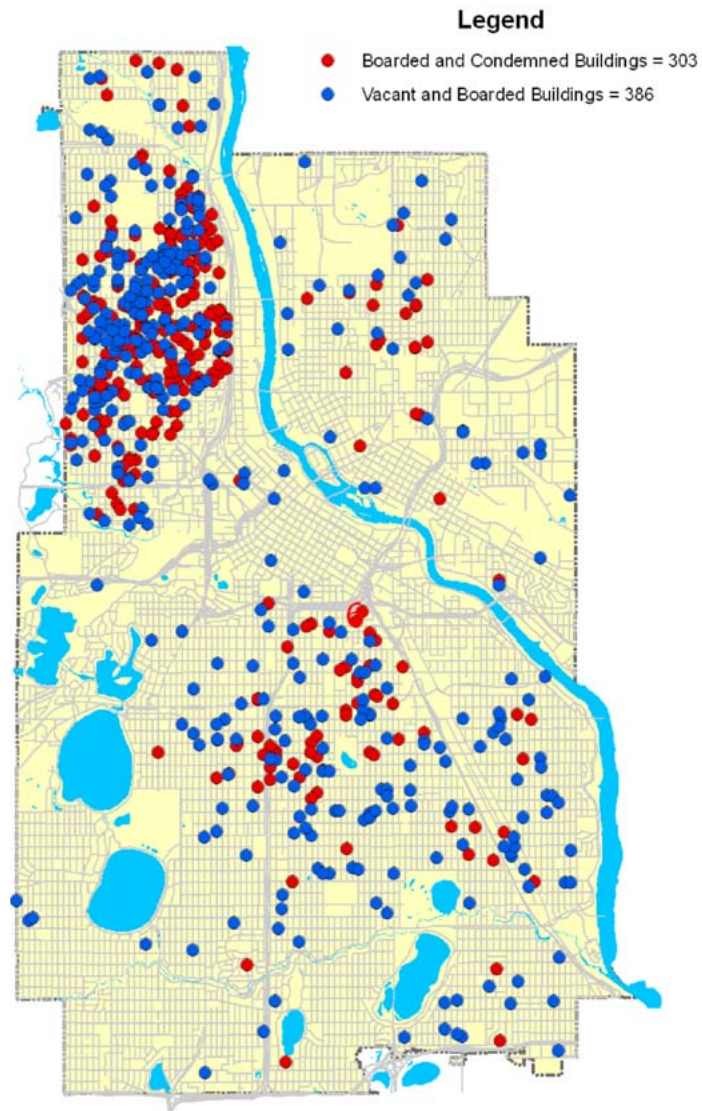


Table 10: **CONDEMNED AND VACANT BUILDINGS** – Minneapolis
as of the end of quarter

	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Boarded and condemned buildings	362	350	329	316	303
Vacant but not condemned	464	457	442	405	386
Total	826	807	771	721	686

Source: Minneapolis Regulatory Services

Note: About 98 percent of the buildings in the table are residential.

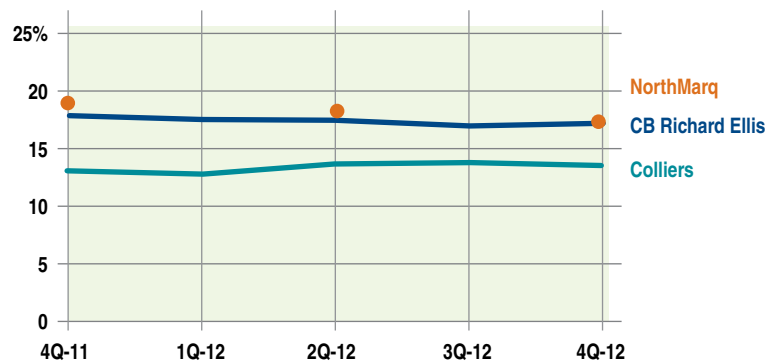
Only buildings that have been registered as vacant with the City of Minneapolis Inspections Division are included. Chapter 249 of City ordinances covers requirements for registering vacant buildings.

Office space

The office vacancy rate hovered between 14.5 percent and 16.3 percent according to the above real estate firms. Pressure remains highest in the Class A market; there remain large blocks of vacant space in Class B and C properties.

The reported average direct vacancy rate in the metro area ranged between 16.1 percent and 18.0 percent, according to the above real estate firms. Like the Minneapolis CBD, demand in the office real estate market in the Twin Cities was higher for Class A properties, which were already experiencing short supply.

Figure 21: **OFFICE SPACE VACANCY RATE** – Minneapolis CBD
in percent

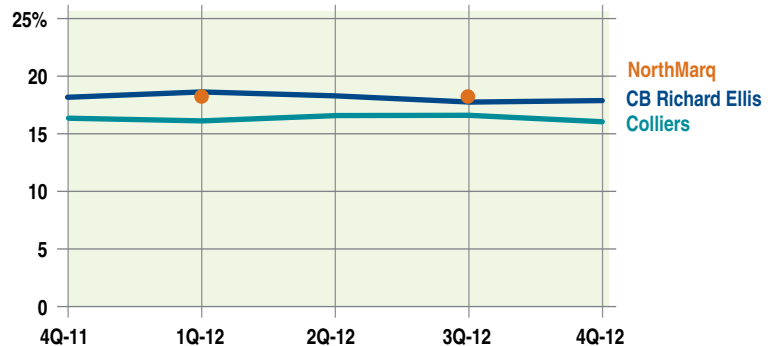


	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
CB Richard Ellis	17.0%	16.7%	16.6%	16.2%	16.3%
Colliers	13.1%	12.9%	14.5%	14.6%	14.5%
NorthMarq	18.0%	17.0%	17.0%	16.1%	16.1%

Sources: CB Richard Ellis, Colliers and NorthMarq

See explanation of sources on [page 42](#)

Figure 22: **OFFICE SPACE VACANCY RATE** – Metro area
in percent



	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
CB Richard Ellis	18.3%	19.0%	18.2%	17.6%	17.1%
Colliers	16.0%	15.9%	16.5%	16.5%	16.1%
NorthMarq	19.2%	18.6%	18.6%	18.0%	18.0%

Sources: CB Richard Ellis, Colliers and NorthMarq

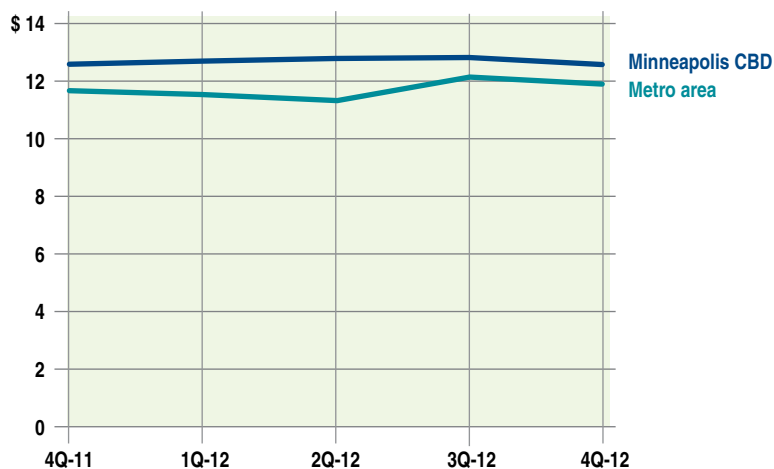
See explanation of sources on [page 42](#)

Office space

The average asking lease rate per square foot in the Minneapolis central business district (CBD) was slightly lower this quarter, but remained higher than fourth quarter of 2011. In the metro area rates were also down for the quarter, but up over the same quarter last year.

Between the third and fourth quarter Downtown Minneapolis occupied office space essentially remained steady. The metro area saw the absorption of approximately 500,000 square feet of office space in the fourth quarter of 2012.

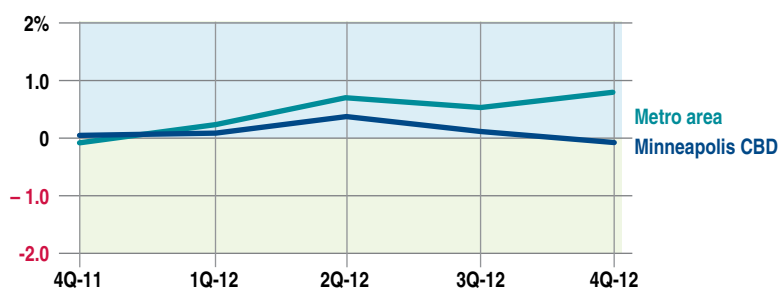
Figure 23: **OFFICE AVERAGE ASKING LEASE PRICE**
in current dollars per square foot per year



Source: CB Richard Ellis

Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Figure 24: **OCCUPIED OFFICE SPACE – rate of growth**
in percent



Source: CB Richard Ellis

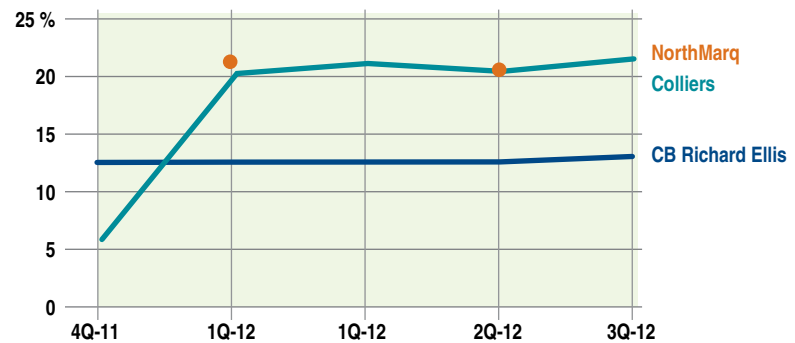
Class A, B and C multi-tenant office buildings 30,000 square feet and larger

Retail space

The reported retail vacancy rate in the Minneapolis CBD ranged between 13.6 and 26.8 percent. Rates are up among all reporting entities. Block E remains largely vacant. Note that large variations in the vacancy rate result from the relatively small amount of square feet of retail in the CBD, as well as differences in how the measurements are done.

The metro area vacancy rate this quarter ranged from 6.2 percent to 8.3 percent, with decreases reported over the last quarter from each of the real estate firms quoted.

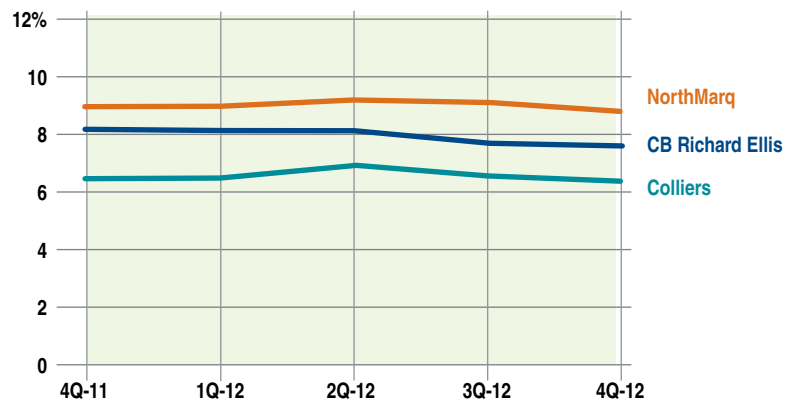
Figure 25: **RETAIL VACANCY RATE – Minneapolis CBD**
in percent



Sources: CB Richard Ellis and NorthMarq

Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Figure 26: **RETAIL VACANCY RATE – Metro area**
in percent



Sources: CB Richard Ellis, Colliers and NorthMarq

CB Richard Ellis and Colliers include all multi-tenant retail buildings 30,000 square feet and larger, and buildings under construction.

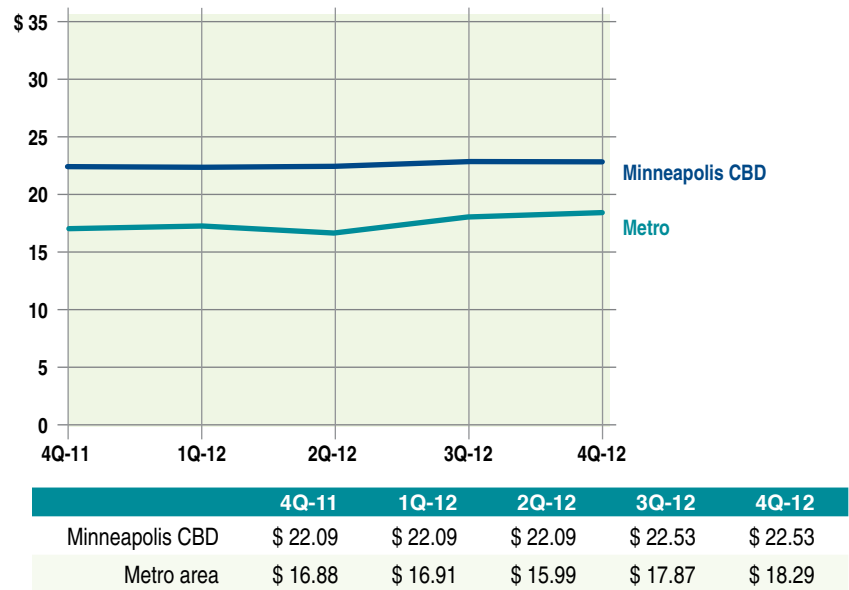
Retail space

Average asking lease price per square foot remained steady in the Minneapolis central business district (CBD) since last quarter and was slightly up over the fourth quarter last year.

In the metro area, average asking lease price increased over 8 percent from the fourth quarter last year, and 2 percent from the previous quarter. The gap in asking prices between the Minneapolis CBD and the rest of the region decreased, standing at about 23 percent at the end of 2012

Occupied retail space in the Minneapolis central business district (CBD) decreased by approximately 7,000 square feet. In the metro area occupied retail space decreased after nearly a year of increases.

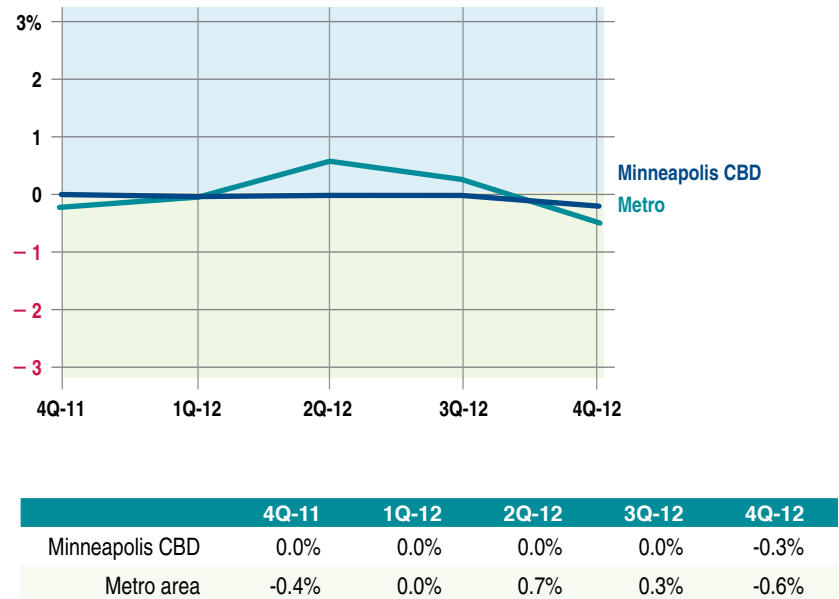
Figure 27: **RETAIL AVERAGE ASKING LEASE PRICE**
in current dollars per square foot per year



Source: CB Richard Ellis

Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Figure 28: **OCCUPIED RETAIL SPACE – rate of growth**
in percent



Source: CB Richard Ellis

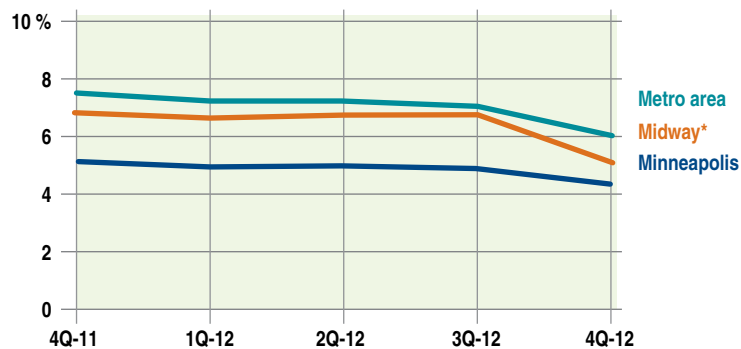
Includes all multi-tenant retail buildings 30,000 square feet and larger, including buildings under construction.

Industrial space

The industrial space direct vacancy rate (not including sublease space) declined in all reported geographies from the previous quarter. The vacancy rates were down from fourth quarter the previous year for all three areas as well.

The average asking lease price for industrial space rose in Minneapolis and the metro from the previous quarter and the previous year, while asking price in the Midway area declined slightly.

Figure 29: **INDUSTRIAL VACANCY RATE**
in percent



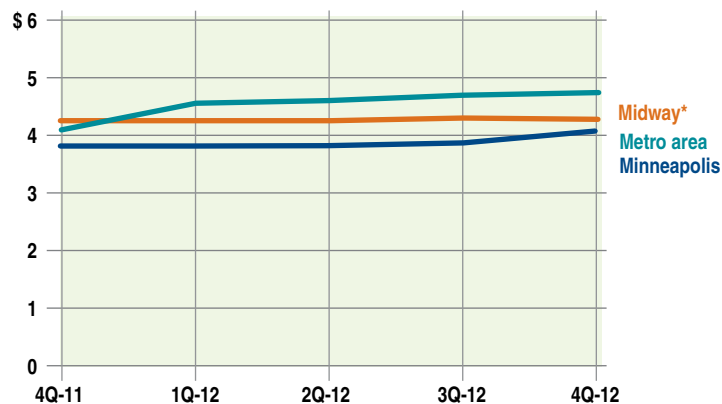
	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Minneapolis	5.3%	5.1%	5.1%	5.0%	4.1%
Midway*	6.7%	6.4%	6.6%	6.7%	5.3%
Metro area	7.4%	7.1%	7.2%	7.0%	6.0%

Source: CB Richard Ellis

Includes industrial buildings 100,000 square feet and larger, including buildings under construction. Market consists of bulk warehouses, office warehouses, office showrooms, and manufacturing and specialty buildings.

*Midway industrial area includes parts of Northeast Minneapolis and Saint Paul.

Figure 30: **INDUSTRIAL AVERAGE ASKING LEASE RATE**
in dollars per square foot per year



	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Minneapolis	\$ 3.96	\$ 3.96	\$ 3.96	\$ 3.98	\$ 4.02
Midway*	\$ 4.10	\$ 4.09	\$ 4.10	\$ 4.12	\$ 4.09
Metro area	\$ 4.08	\$ 4.54	\$ 4.59	\$ 4.61	\$ 4.65

Source: CB Richard Ellis

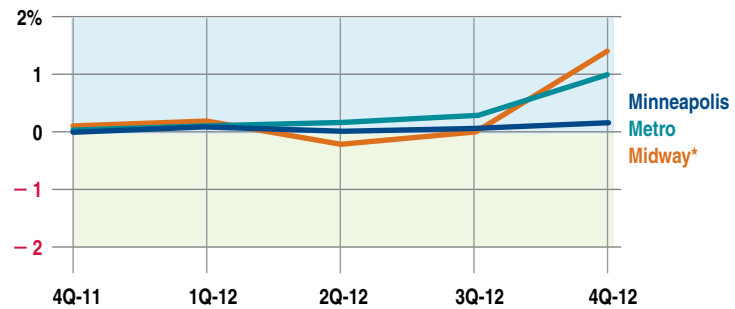
Note: For Midway and Minneapolis, the industrial average asking lease rate is only for warehousing. Includes industrial buildings 100,000 square feet and larger, including buildings under construction.

*Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Industrial space

Occupied industrial space continued growth at an accelerated rate in both Minneapolis and the Metro, while the Midway area reversed the previous quarter's decline with a large 1.6 percent increase in occupied space.

Figure 31: **OCCUPIED INDUSTRIAL SPACE** – rate of growth
in percent



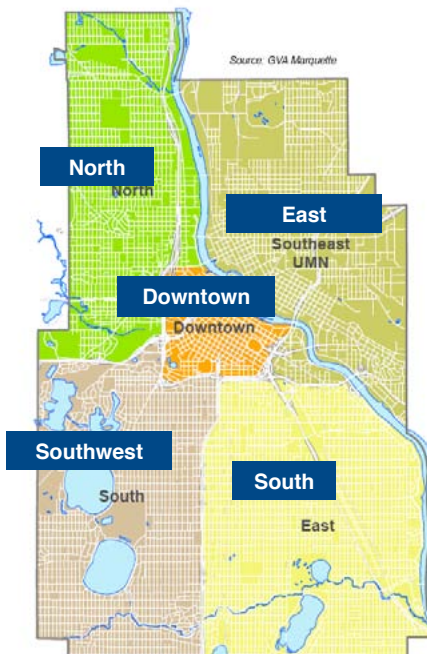
	4Q-11	1Q-12	2Q-12	3Q-12	4Q-12
Minneapolis	0.0%	0.2%	0.0%	0.1%	0.2%
Midway*	0.1%	0.3%	-0.3%	0.0%	1.6%
Metro area	0.0%	0.1%	0.2%	0.3%	1.0%

Source: CB Richard Ellis

Includes all competitive industrial buildings 100,000 square feet and larger, including buildings under construction. Market consists of bulk warehouses, office warehouses, office showrooms, and manufacturing and specialty buildings.

*Midway includes industrial areas of northeast Minneapolis and Saint Paul.

Definitions & sources



- **Housing Vacancy Rate:** The vacancy rate is the percentage of unoccupied housing units among the total number of housing units. Vacancy rates for the multifamily rental market are calculated quarterly by GVA Marquette Advisors based on a quarterly survey of properties in the Twin Cities metropolitan area.
- **City areas:** : For data analysis purposes, GVA Marquette Advisors divides the city into five sub-areas, according to the map below. Note that we changed the Minneapolis sector names to reflect changes that GVA Marquette made at the City's request. South is now South-west; East is South, and NE, SE and UMN is East. North remains North.
- **Median sale values:** These values are based on home prices researched by the Minneapolis Area Association of Realtors (MAAR).
- **Closed home sales:** These values are based on home sales reported by the Minneapolis Area Association of Realtors (MAAR). Closed sales mean that there is an agreement to sell and steps have been taken toward that end. MAAR makes a difference between **traditional sales** and **lender-mediated sales**. The first type includes all sales that are neither foreclosures nor short sales. These two define the lender-mediated sales.
- **Metro area definition:** The Minneapolis Area Association of Realtors service area includes 12 counties in Minnesota (Chisago, Anoka, Sherburne, Wright, Hennepin, Ramsey, Washington, Dakota, Scott, Carver, Rice and Goodhue) and one county in Wisconsin (St. Croix).
- **Foreclosure sales:** These sales occur when property owners are deprived of the right to keep their properties because of failure to make payments on a mortgage or other contractual property fees, such as condominium association fees, when due. Data on foreclosure sales are reported by the Hennepin County Sheriff to Hennepin County Taxpayer Services Department and later sent to City of Minneapolis CPED Research Division. Hennepin County's methodology is to count all foreclosure Sheriff's sales categories (mortgage, assessments, associations, executions and judgments). Data include only foreclosed properties in the City of Minneapolis that were sold at public option in the specified time period.
- **Boarded and vacant buildings:** A vacant property is a property identified as such by City of Minneapolis inspectors; City Ordinance 249 requires the property's owner to register it as vacant. In addition to being vacant, the property could be condemned as uninhabitable either for being boarded more than 60 days or because of lack of maintenance. Data on boarded and vacant buildings are obtained from the City Department of Regulatory Services.

Real estate statistics as reported by CB Richard Ellis (www.cbre.com) include office, retail and industrial space vacancy rates, average asking lease price per square foot and absorption of square feet for the Twin Cities metropolitan area, Minneapolis and Midway (industrial space) or Minneapolis central business district (office and retail space). The metro area includes several submarkets and may not coincide with definitions based on jurisdictional boundaries. This quarter Minneapolis Trends also shows office and retail vacancy rates reported by Colliers (www.colliers.com/en-US/MinneapolisStPaul/Insights), and Cushman & Wakefield-NorthMarq (www.northmarqcompass.com/)

- **Average asking lease rate:** This is determined by multiplying the asking net lease rate for each building by its available space, adding the products, then dividing by the sum of all available space.
- **Average vacancy rate:** This is determined by dividing the number of vacant square feet by the net rentable area.
- **Rate of growth and absorption:** This is the change in occupied square feet from one quarter to the next, determined by subtracting vacant space (not including sublets and shadow space) from the rentable space available.

Variations in reporting are due to differences in definitions and in the number, frequency, and geographical location of buildings included in the surveys. Variations in retail vacancy rates are more evident than in the case of office vacancy but also — and particularly in the case of the Minneapolis CBD — the relatively small amount of retail space compared to the overall metro inventory.

Inflation-adjusted figures: For the purpose of analyzing residential rent, text is based on values converted to constant (inflation-adjusted) dollars based on the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) for housing in the Midwest urban areas category size "class A" (more than 1.5 million people). For the third quarter 2012, dollars have been converted with an index of 1.0097567, the result of the relation between the CPI for September 2012 (204.607) and the CPI for September 2011 (202.630). For the period from third quarter 2012 to second quarter 2012, the index is 1.005297, obtained by dividing 204.607 (September) by 203.529 (June).



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